

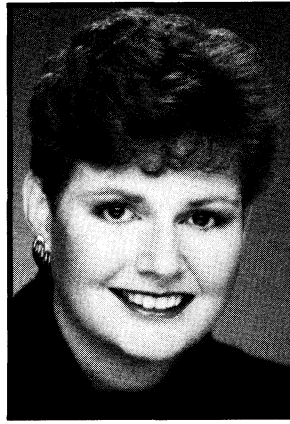
1992 Annual Financial Report

Non-Teacher School Employee
Retirement System of Missouri

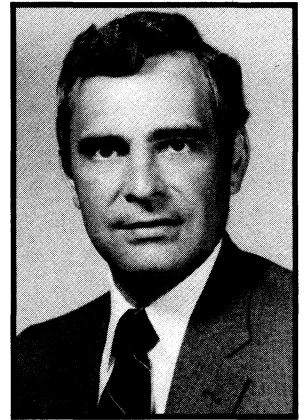




Theresa M. Reger



Laurel S. Cochennet
Chairman

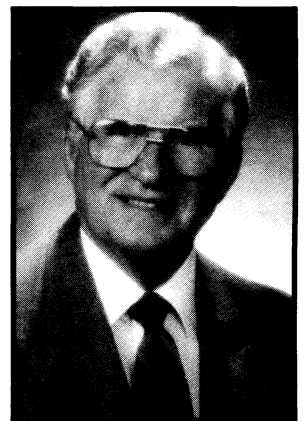


Robert E. Bartman
Ex Officio

Board of Trustees



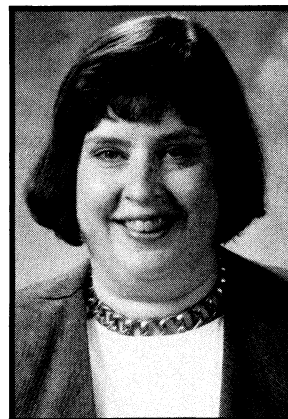
Nancy J. Gaines



William J. Wasson



James F. Daniels



Mary Lou Anderson



THE NON-TEACHER SCHOOL EMPLOYEE RETIREMENT SYSTEM OF MISSOURI

DAVID W. MUSTOE
EXECUTIVE SECRETARY

ROBERT W. RUST
ADMINISTRATOR

JOEL M. WALTERS
ASST. EXECUTIVE SECRETARY

To the Membership:

This report covers the 1991-92 fiscal year for the Non-Teacher School Employee Retirement System of Missouri, the 27th year of the System's operation. Financial, actuarial and membership data are presented in summary form.

The 1991-92 year saw a continuing decline in interest rates and a corresponding effect upon System investment earnings. Invested funds earned a weighted average return of 9.1%, as compared to 9.45% the preceding year. Realized capital gains on securities sold or matured increased the overall yield significantly, to 10.52%. That overall figure was higher than in 1990-91, due principally to the forced sale of sizable holdings in "South Africa" securities. Missouri law requires the System to divest itself of any holdings in companies doing business in, or with, the Republic of South Africa. Many of the fixed income securities sold were purchased when interest rates were much higher, and thus commanded a premium sale price producing significant capital gain. Stock market gains of recent years also helped in the sale of affected stocks.

Completion of the South Africa sales required by a date in 1992-93 will add some additional capital gain. Unfortunately, those funds must be reinvested at currently lower rates, so that future investment returns will be seriously affected.

Unfunded liabilities of the System decreased significantly, from the \$48 million figure of 1991 to \$26 million in 1992. This reduced the period for amortizing that liability to 9 years, as compared to 20 years in 1991. These beneficial reductions were due principally to the realized capital gains and favorable actual-to-assumed salary level experience.

The 1991-92 year brought 4,032 new members into the System, and saw 3,670 individuals leave because of retirement, termination of employment and withdrawal, or death. This net increase of 362 members provided a total membership of 32,027 employees.

A total of 9,360 persons were receiving monthly benefit payments at the close of 1991-92, amounting to total payments for the year in excess of \$13 million.

Board of Trustees' policy has been to keep the maximum period for amortizing System unfunded liabilities within 30 years. Since that period has now decreased to 9 years, it may be feasible to legislate some benefit improvements in 1993. Program areas likely to be addressed are the annual and cumulative cost-of-living-adjustment rates (COLAs) for retirees, a combined age-and-service level for full benefits, and some liberalization of death benefit options.

Please read the report — it is meant for you. If you have questions, comments, or criticisms, let us know. The Retirement System represents a sizable investment for you, and significant present or future financial assistance for all participants. We need your input in continuing to improve the System.

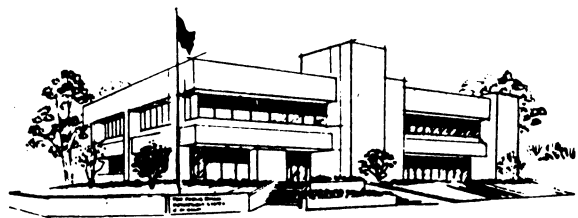
David W. Mustoe
Executive Secretary

OFFICE LOCATION
701 W. Main Street

MAILING ADDRESS
P.O. Box 268, Jefferson City, MO 65102

TELEPHONE
314-751-3414

Financial Statements



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Non-Teacher School Employee
Retirement System of Missouri

We have audited the accompanying statements of net assets available for benefits of The Non-Teacher School Employee Retirement System of Missouri as of June 30, 1992 and 1991, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding net assets available for benefits and changes therein of The Non-Teacher School Employee Retirement System of Missouri as of and for the years ended June 30, 1992 and 1991, in conformity with generally accepted accounting principles.

The accompanying supplementary information on pages 11 to 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information related to the years ended June 30, 1992 and 1991, has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

We also have previously audited, in accordance with generally accepted auditing standards, the statement of net assets available for benefits of the Non-Teacher School Employee Retirement System of Missouri as of June 30, 1990, and the related statement of changes in net assets available for benefits for the year then ended, and we expressed an unqualified opinion on those financial statements. In our opinion, the accompanying supplementary information on Pages 15 and 16 related to June 30, 1990, is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

The basic financial statements of the Non-Teacher School Employee Retirement System of Missouri for the year ended June 30, 1989, were audited by other auditors whose report dated October 19, 1989, expressed an unqualified opinion on those financial statements. Their report, as of the same date, on the accompanying supplementary information on Pages 15 and 16 stated that, in their opinion, such information was fairly presented in all material respects in relation to the basic financial statements for the year ended June 30, 1989, taken as a whole.

Williams-Keepers

October 30, 1992

Statements of Assets Available For Benefits

ASSETS

| | June 30 | |
|--|--------------------------------|--------------------------------|
| | 1992 | 1991 |
| Cash: | | |
| Custodian Account | * \$ 35,921.08 | \$ 29,349.47 |
| Operating Account | 26,076.84 | 24,213.29 |
| Total Cash | <u>\$ 61,997.92</u> | <u>\$ 53,562.76</u> |
| Investments: | | |
| Corporate Bonds | \$263,626,163.69 | \$218,592,570.46 |
| U.S. Government Bonds | 17,797,042.46 | 19,296,091.77 |
| U.S. Government Securities — Zero Coupon | 47,632,921.81 | 42,664,470.42 |
| GNMA Mortgage Loans | 72,660,032.40 | 78,686,587.21 |
| **Common Stock | 53,066,090.21 | 45,242,987.73 |
| Temporary Investments | 47,257,765.00 | 38,543,775.00 |
| Total Investments | <u>\$502,040,015.57</u> | <u>\$443,026,482.59</u> |
| Accrued Income: | | |
| Contributions Receivable | \$ 2,613,077.92 | \$ 2,424,493.54 |
| Dividends on Common Stock | 190,040.40 | 180,718.59 |
| Interest on GNMA Loans | 562,803.18 | 622,403.28 |
| Interest on Securities — Bonds | 6,477,794.22 | 5,357,718.24 |
| Interest on Temp. Investments | 164,399.77 | 196,686.81 |
| Total Accrued Income | <u>\$ 10,008,115.49</u> | <u>\$ 8,782,020.46</u> |
| Total Assets | <u><u>\$512,110,128.98</u></u> | <u><u>\$451,862,065.81</u></u> |

*Included funds-in-transit of \$28,885.49 (investments) \$773.53 (reinstatements/in-state purchases)

**Market value of stocks:

1992 — \$86,499,239.76

1991 — \$75,323,766.01

NET ASSETS AVAILABLE FOR BENEFITS

| | | |
|---|--------------------------------|--------------------------------|
| Member Accounts: | | |
| Accumulated Contributions of Members | \$127,111,565.82 | \$113,263,523.27 |
| * Accumulated Contributions of Terminated Members | 203,755.60 | 191,949.50 |
| Reinstatements/In-state Purchases | 19,343.82 | 6,131.08 |
| Total Member Accounts | <u>\$127,334,665.24</u> | <u>\$113,461,603.85</u> |
| Reserves: | | |
| Reserve for Operating Expenses and Benefits to | | |
| Future Retirees | \$218,179,901.39 | \$191,150,949.61 |
| Contingent Reserve — Investments | 3,009,865.35 | 3,009,865.35 |
| Reserve — Benefits Present Retirees | 163,585,697.00 | 144,239,647.00 |
| Total Reserves | <u>\$384,775,463.74</u> | <u>\$338,400,461.96</u> |
| Total Assets Available and Reserves | <u><u>\$512,110,128.98</u></u> | <u><u>\$451,862,065.81</u></u> |

See Notes to Financial Statements

*Combined contributions of Deaths not Processed and Terminations.

**The Non-Teacher School Employee
Retirement System of Missouri**

**Statements of Changes in Net Assets Available for Benefits
Years Ended June 30, 1992 and 1991**

| | Member Accounts | | Reserve for To Present |
|---|-----------------------------|-----------------------------|-----------------------------------|
| | 1992 | 1991 | 1992 |
| Sources of Net Assets | | | |
| Contributions of employers and members — net of refunds | \$ 15,886,694 | \$ 15,320,528 | \$ — |
| Investment income | — | — | — |
| Gain on sales of investments | — | — | — |
| Other | — | — | — |
| | <u>15,886,694</u> | <u>15,320,528</u> | <u>—</u> |
| Application of Net Assets | | | |
| Member withdrawals and refunds | 3,548,051 | 3,277,412 | — |
| Member deaths paid | 166,923 | 140,769 | — |
| Operating expenses | — | — | — |
| Benefits paid | — | — | 15,128,939 |
| | <u>3,714,974</u> | <u>3,418,181</u> | <u>15,128,939</u> |
| Transfers and Adjustments | | | |
| Accumulated contributions of retirees and beneficiaries | (5,617,768) | (5,223,298) | 5,617,768 |
| Interest credited to member accounts | 7,308,835 | 6,427,391 | — |
| Present value of reserve for benefits to present retirees | — | — | 28,857,221 |
| Other | 10,275 | (2,604) | — |
| | <u>1,701,342</u> | <u>1,201,489</u> | <u>34,474,989</u> |
| Increase in Net Assets | 13,873,062 | 13,103,836 | 19,346,050 |
| Net Assets Available for Benefits, beginning of year | <u>113,461,604</u> | <u>100,357,768</u> | <u>144,239,647</u> |
| Net Assets Available for Benefits, end of year | <u>\$127,334,666</u> | <u>\$113,461,604</u> | <u>\$163,585,697</u> |

The Notes to Financial Statements are an integral part of these statements.

| Benefits Retirees | Contingent Reserve for Investments | | Reserve for Operating Expenses and Benefits to Future Retirees | |
|----------------------|---------------------------------------|--------------------|--|----------------------|
| | 1992 | 1991 | 1992 | 1991 |
| \$ — | \$ — | \$ — | \$15,714,003 | \$15,245,515 |
| — | — | — | 41,643,020 | 38,059,077 |
| — | — | 573,337 | 6,623,609 | 2,933,859 |
| — | — | — | 37,837 | 24,525 |
| <u>—</u> | <u>—</u> | <u>573,337</u> | <u>64,018,469</u> | <u>56,262,976</u> |
| — | — | — | — | — |
| — | — | — | — | — |
| — | — | — | 813,187 | 721,388 |
| 13,204,577 | — | — | — | — |
| <u>13,204,577</u> | <u>—</u> | <u>—</u> | <u>813,187</u> | <u>721,388</u> |
| 5,223,298 | — | — | — | — |
| — | — | — | (7,308,835) | (6,427,391) |
| 28,215,305 | — | — | (28,857,221) | (28,215,305) |
| — | — | — | (10,275) | (498) |
| <u>33,438,603</u> | <u>—</u> | <u>—</u> | <u>(36,176,331)</u> | <u>(34,643,194)</u> |
| 20,234,026 | — | 573,337 | 27,028,951 | 20,898,394 |
| <u>124,005,621</u> | <u>3,009,865</u> | <u>2,436,528</u> | <u>191,150,950</u> | <u>170,252,556</u> |
| <u>\$144,239,647</u> | <u>\$3,009,865</u> | <u>\$3,009,865</u> | <u>\$218,179,901</u> | <u>\$191,150,950</u> |

Notes to Financial Statements

June 30, 1992 and 1991

Note 1. Description of Plan

The Non-Teacher School Employee Retirement System of Missouri (the "System") is a mandatory cost-sharing multiple employer retirement system for substantially all public school employees who work 20 or more hours per week on a regular basis and who are not members of The Public School Retirement System of Missouri. The System was established by an Act of the Missouri Legislature effective November 1, 1965. Retirement benefits, as defined by statute, are based on years of service and salary. Investments are authorized by statute and are based on the "prudent-man" rule. The contributions are paid to the System by the employee and the employer at a rate set annually by the Board of Trustees but not to exceed four and one-half percent as set by law. The rate for 1992 and 1991 was set at four percent each for the employee and employer. As of June 30, 1991, the latest actuarial valuation date, the System had 551 contributing employers and membership consisted of 40,566 individuals as follows:

| | |
|------------------------------|---------------|
| Retirees and beneficiaries | |
| currently receiving benefits | 8,899 |
| Inactive vested members not | |
| yet receiving benefits | 718 |
| Active members | |
| Fully vested | 14,782 |
| Non-vested | 13,772 |
| Total active members | 28,554 |
| Other inactive members | 2,395 |
| | <u>40,566</u> |

Members are eligible for retirement at age sixty if at least five years of creditable service have been established with the System, or after completion of 30 years of creditable service. Early retirement on an actuarially reduced basis is permitted after age 55 with five years of creditable service.

Members with five or more years of creditable service in Missouri are vested; that is, their rights to benefits at retirement age are established even if they leave the public schools.

The employees' contributions (not including the employers' contributions) are credited to their individual accounts with yearly interest on the contributions credited at a rate set by the Board of Trustees. The rate for 1992 and 1991 was seven percent.

The plan also provides for various methods of withdrawals, terminations, reinstatements, disability, death benefits, and retirement benefit options.

Refer to the booklet printed by the System for additional information on the plan.

Note 2. Summary of Significant Accounting Policies

Basis of accounting:

The financial information is presented on the accrual basis which recognizes revenues when earned and expenses when the related liability is incurred.

Valuation of investments:

Marketable securities are stated at cost and mortgage loans are shown at their unpaid principal balances. Purchases and sales of investments are recorded as of settlement date. Refer to Note 5 for estimated market values of investments.

Premiums and discounts on zero coupon bonds are charged to investment income over the life of the investment based on the effective interest rate method. The System recognizes 100% of premium or discount on corporate and governmental bonds at the time of sale through the gain account.

Contingent reserve for investments:

The contingent reserve for investments was established to stabilize income in volatile economic times. The Board of Trustees uses discretion in allocating gains and losses from the sale of investments between the operating reserve and the contingent reserve for investments.

Net gains on sales of bonds totalled \$1,337,382 in 1992 and were recorded in the reserve for operating expenses and benefits to future retirees. Net gains on sales of bonds in 1991 totalled \$573,337 and were recorded in the contingent reserve for investments.

Equipment:

All equipment is expensed in the year purchased.

Asset valuation — actuarial purposes:

Assets are valued for actuarial purposes using amortized value for bonds purchased at a premium or discount, a ten year write-up from cost to market value for equities, and historical cost for other securities. Historical cost includes realized gains and losses on sales of securities which are not held in an investment contingency fund. There are no party-in-interest loans, leases or investments which are prohibited.

Note 3. Plan Benefits

Funding status and progress:

The System's actuarial firm estimates the pension benefit obligation. The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of member service to date. This measure is intended to help users of the financial statements assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among different systems. This measure is independent of the actuarial funding method used to determine contributions to the System.

The actuarial valuations are performed as of June 30 each year, the latest being June 30, 1991. Significant actuarial assumptions which have been used are as follows:

Rate of Return on Invested Assets

8% per annum compounded

Projected Salary Increases

Rates varying by age, from 9% per year to 6% per year

Mortality

In accordance with 1983 Group Annuity Mortality Table with separate rates for males and females, set back one year for females

As of June 30, 1991, the unfunded pension benefit obligation and net assets consisted of the following components (dollar figures in thousands):

| | |
|---|-----------|
| Retirees and Beneficiaries | \$144,240 |
| Inactive Vested Members | 15,650 |
| Current Members | |
| Accumulated member contributions | 108,728 |
| Employer-financed vested | 179,783 |
| Employer-financed nonvested | 10,628 |
| Other Inactive Members | 1,127 |
| Total Pension Benefit Obligation | 460,156 |
| Net Assets Available for Benefits | |
| At Book Value (Market value is \$502,762) | 451,862 |
| Unfunded Pension Benefit Obligation | \$ 8,294 |

The pension benefit obligation increased by approximately \$583,000 during the year due to benefit improvements. The benefits were improved by increasing the portion of prior service included as creditable service.

Note 4. Contribution Required and Contribution Made

The System's funding policy is to have contributions sufficient to amortize the unfunded actuarial accrued

liability over thirty years as a maximum. The entry age normal funding method is used. Actuarial assumptions used for the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. As described in Note 1, the System's contribution requirement is limited by law. The recommendation of the System's actuary was considered by the Board of Trustees in setting the contribution rate. Contributions for 1991 totaled \$15,253,000 (3.9% of covered payroll) for both employers and employees and consisted of normal cost and amortization of prior service cost. The actuary has determined that the 1991 contribution satisfied the contribution requirement.

Trend information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information may be found in the supplementary information accompanying these financial statements.

Note 5. Investments

The System's securities are held in safekeeping in the System's name by a bank acting as agent for the System. The carrying values and market values for the investments with readily ascertainable market values are as follows for 1992 and 1991:

| | 1992 | |
|--|-----------------------|-----------------------|
| | Carrying Value | Market Value |
| Corporate and governmental bonds | \$ 278,339,920 | \$ 302,453,025 |
| Common and preferred stock | 53,066,090 | 86,499,240 |
| GNMA mortgage loans | 72,660,033 | 79,376,108 |
| Zero coupon bonds | 47,632,922 | 63,752,174 |
| | <u>\$ 451,698,965</u> | <u>\$ 532,080,547</u> |
| | 1991 | |
| | Carrying Value | Market Value |
| Corporate and governmental bonds | \$ 233,635,196 | \$ 239,170,324 |
| Common and preferred stock | 45,242,988 | 75,323,766 |
| GNMA mortgage loans | 78,686,587 | 82,100,545 |
| Zero coupon bonds | 42,664,471 | 54,534,691 |
| | <u>\$ 400,229,242</u> | <u>\$ 451,129,326</u> |

Corporate bonds with an amortized cost of \$3,083,286 in 1992 and \$4,253,466 in 1991, do not have readily ascertainable market values. Market values are also not available on commercial discount notes in the amount of \$47,257,765 in 1992 and \$38,543,775 in 1991.

The realized gains for 1992 and 1991 are as follows:

| | 1992 | 1991 |
|-------------------------|---------------------|---------------------|
| Corporate stock | \$ 3,433,919 | \$ 2,933,859 |
| Corporate bonds | 1,337,382 | 573,337 |
| Zero coupon bonds | 1,852,308 | — |
| | <u>\$ 6,623,609</u> | <u>\$ 3,507,196</u> |

At June 30, 1992, the System had total bank balances of \$31,262 (which were covered by Federal depository insurance) and repurchase agreements in the amount of \$1,238,274. At June 30, 1992, bank balances and repurchase agreements were collateralized by U.S. Government securities subject to safekeeping statements issued by the custodial financial institution which was not the pledging institution. The total amount of securities pledged carried a face value of \$2,053,004 with market values of \$2,139,289.

The System participates in a securities lending program whereby investment securities are loaned, in terms of physical possession, on request to brokers. The System does not relinquish ownership of these securities. This program is administered by the System's master custodian. Collateral in the form of cash or other liquid securities must be pledged on each security loan and amounts are adjusted daily. Total market value of securities loaned by the System at June 30, 1992 and 1991, is approximately \$41,970,000 and \$28,230,000, respectively, with collateral provided by the pledging institution (which is also the holding institution) at 102% of market value of securities loaned.

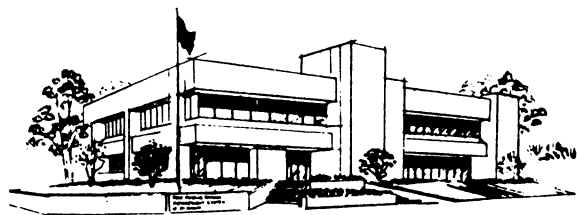
Note 6. Related Party Transactions

The System utilizes building space, equipment and services from the Public School Retirement System of Missouri in exchange for a fee which is recorded by the System as a rental allowance. Total rental allowance paid was \$150,000 in 1992 and 1991.

Schedules of Cash Receipts and Disbursements

| | June 30 | |
|--|-------------------|-------------------|
| | 1992 | 1991 |
| RECEIPTS: | | |
| Contributions | \$ 31,281,374.45 | \$ 30,328,045.63 |
| Investment Receipts | | |
| Interest — Corporation and Government Securities | \$ 23,419,035.59 | \$ 20,499,761.50 |
| Interest — GNMA Mortgage Loans | 7,566,831.26 | 7,567,713.89 |
| Interest — Temporary Investments | 2,365,929.85 | 3,385,535.90 |
| Dividends — Common Stock | 2,542,055.97 | 2,292,964.68 |
| Fees — Security Lending/Fail Float | 52,386.42 | 48,877.02 |
| Total Investment Receipts | \$ 35,946,239.09 | \$ 33,794,852.99 |
| Principal Receipts: | | |
| Corporation & Government Securities | \$ 38,602,554.10 | \$ 20,637,846.74 |
| U.S. Government Securities — Zero Coupon | 6,337,626.25 | — |
| GNMA Loans | 12,157,904.85 | 6,083,220.18 |
| Common Stock | 6,744,724.06 | 3,920,527.62 |
| Temporary Investments | 96,169,922.23 | 146,663,287.24 |
| Total Principal Receipts | \$ 160,012,731.49 | \$ 177,304,881.78 |
| Miscellaneous Receipts | \$ 169,776.19 | \$ 74,921.65 |
| Total Receipts | \$ 227,410,121.22 | \$ 241,502,702.05 |
| DISBURSEMENTS: | | |
| Investment Purchases: | | |
| Securities — Corporation & Government | \$ 80,052,394.35 | \$ 56,598,970.85 |
| U.S. Government Securities — Zero Coupon | 4,966,378.55 | 8,032,700.00 |
| GNMA Mortgage Loans | 5,848,822.59 | 8,776,583.73 |
| Common Stock | 11,133,907.89 | 7,035,173.31 |
| Temporary Investments | 104,883,912.23 | 143,026,287.24 |
| Accrued Interest | 845,457.03 | 673,224.87 |
| Total Investment Purchases | \$ 207,730,872.64 | \$ 224,142,940.00 |
| Benefit Payments: | | |
| Service Retirement | \$ 14,379,339.60 | \$ 12,596,707.10 |
| Disability Retirement | 286,567.70 | 230,705.66 |
| Beneficiary Allowance | 413,178.59 | 317,106.11 |
| Total Benefit Payments | \$ 15,079,085.89 | \$ 13,144,518.87 |
| Withdrawals and Refunds | \$ 3,778,541.76 | \$ 3,489,303.22 |
| Operating Expenses: | | |
| Personal Services | \$ 318,217.40 | \$ 290,587.68 |
| Investment Fees | 144,927.23 | 130,443.85 |
| Actuarial Fees | 47,325.00 | 31,005.00 |
| Audit Fees | 3,400.00 | 3,300.00 |
| Printing | 4,780.85 | 2,057.37 |
| Postage | 43,577.53 | 34,514.33 |
| Staff Field Expenses | 3,963.78 | 4,268.28 |
| Info & Publicity Expense | 66,323.22 | 41,540.25 |
| Election Expense | 15,156.88 | 22,027.81 |
| Office Equipment Rental/Maintenance | 975.00 | 1,058.07 |
| Office Space Rental & Sers | 150,000.00 | 150,000.00 |
| Legal Counsel & Fees Expense | 5,636.28 | — |
| Equipment Purchases | 134.00 | 731.56 |
| Office Supplies | 5,483.82 | 6,961.79 |
| Medical Exams — Disability | 471.85 | 583.70 |
| Board of Trustees Expense | 893.68 | 1,468.00 |
| Miscellaneous | 1,919.25 | 840.00 |
| Total Operating Expenses | \$ 813,185.77 | \$ 721,387.69 |
| Total Disbursements | \$ 227,401,686.06 | \$ 241,498,149.78 |
| Excess (Deficiency) Cash Receipts | | |
| Over Cash Disbursements | \$ 8,435.16 | \$ 4,552.27 |
| Cash Balances, Beginning of Year | 53,562.76 | 49,010.49 |
| Cash Balances, End of Year | \$ 61,997.92 | \$ 53,562.76 |

Investments



Investment Report

Investment Agent

Boatmen's Trust Company of St. Louis is the sole investment agent of The Non-Teacher School Employee Retirement System of Missouri. The Investment Agent has discretionary authority to invest the funds of the System in those securities authorized by the Board of Trustees, and within limitations set by the Board. The Investment Agent is also responsible for safekeeping of securities, execution of all investment transactions, and receipt and transmittal to the retirement office of all investment principal and interest payments. There is no "in-house" investing done directly by the retirement office; all funds are invested by the Investment Agent.

The Agent furnishes a complete investment report to the Board of Trustees every six months and interim reports at bi-monthly Board meetings.

Investment Objectives

The basic objective of a sound retirement system is to accumulate sufficient reserves during the working lives of its members to ensure payment of benefits upon retirement. The return earned from the investment of these reserves is one of the most influential variables used by the actuary in determining the financial soundness of the Retirement System. It has always been the policy of the Board of Trustees to establish the highest earnings assumption consistent with projected returns in order to fund benefits at the least cost to the members and employers. The System's earnings assumption is under constant review and reappraisal and has been satisfied in each year of the System's 27-year history.

Investment Performance Review

In 1991-92 the System's fixed income securities provided a return of 17.2%, outperforming the Shearson Lehman Government/Corporate Index return of 14.2% and the Salomon Brothers Index return of 16.8%. System equities underperformed the Standard and Poor 500 Index (12.4% vs. 13.5%), and underperformed the Dow Jones Industrial Average of 17.7%. A total return — including unrealized capital gains — of 15.5% was attained for the year.

Over the five-year period ending June 30, 1992, System fixed income investments outperformed both the Shearson Lehman and Salomon indices at 11.7% versus 10.2% and 11.5%, respectively. During that same five-year period, its equities underperformed both the S&P 500 and the DJIA — 9.1% against 9.7% and 10.4%, respectively.

For the ten-year period through June 30, 1992, System fixed income investments bested the

Shearson and Salomon indices at 16.8% to 13.3% and 15.9%. System equities were under the S&P 500 and the DJIA at 17.9% compared to 18.4% and 19.7%.

Satisfaction of Actuarial Earnings Assumption

As has been the case in all previous years, System income receipts exceeded the actuarial assumptions rate of 8%. Realized earnings amounted to 9.1% on invested funds valued at cost, with realized capital gains providing an overall return of 10.5%. These excess earnings have served to accelerate amortization of System unfunded liabilities, and have permitted benefit improvements in past years without increases in the contribution rate.

Schedules of Investment Income

Years Ended June 30, 1992 and 1991

| | 1992 | 1991 |
|---|-----------------------------|-----------------------------|
| Corporate and Government Bonds | | |
| Interest received | \$ 23,419,036 | \$ 20,499,762 |
| Add: | | |
| Accrued interest, end of year | 6,477,794 | 5,357,718 |
| Accretion of discount | <u>747,322</u> | <u>480,058</u> |
| | 30,644,152 | 26,337,538 |
| Less: | | |
| Accrued interest, beginning of year | 5,357,718 | 4,774,914 |
| Accrued interest purchased during year | 821,841 | 635,045 |
| Amortization of premium | <u>—</u> | <u>—</u> |
| Income from corporate and government securities | 24,464,593 | 20,927,579 |
| Zero Coupon Bonds | | |
| Accretion of discount | 4,487,391 | 3,781,106 |
| Common Stock | | |
| Dividends received | 2,542,056 | 2,292,965 |
| Add: Accrued dividends, end of year | <u>190,040</u> | <u>180,718</u> |
| | 2,732,096 | 2,473,683 |
| Less: Accrued dividends, beginning of year | <u>180,718</u> | <u>166,067</u> |
| Income from common stocks | 2,551,378 | 2,307,616 |
| GNMA Mortgage Loans | | |
| Interest received | 7,566,831 | 7,567,714 |
| Add: | | |
| Accrued interest, end of year | 562,803 | 622,403 |
| Accretion of discount | <u>284,244</u> | <u>157,829</u> |
| | 8,413,878 | 8,347,946 |
| Less: | | |
| Accrued interest, beginning of year | 622,403 | 607,411 |
| Accrued interest purchased during year | 23,617 | 38,180 |
| Amortization of premium | <u>1,716</u> | <u>42</u> |
| Income from GNMA Mortgage Loans | 7,766,142 | 7,702,313 |
| Commercial Discount Notes | | |
| Interest received | 2,353,417 | 3,366,600 |
| Add: Accrued interest, end of year | <u>164,400</u> | <u>196,687</u> |
| | 2,517,817 | 3,563,287 |
| Less: Accrued interest, beginning of year | <u>196,687</u> | <u>271,701</u> |
| | 2,321,130 | 3,291,586 |
| Fees: Security Lending | 52,123 | 47,771 |
| Fail Float | <u>264</u> | <u>1,106</u> |
| Total Investment Income | <u>\$ 41,643,021</u> | <u>\$ 38,059,077</u> |

TEMPORARY INVESTMENTS 6/30/92

| Par Value | Description | Book Value | Market Value |
|--------------|---|-------------------------|-------------------------|
| \$ 3,966,000 | Centerland Fund | \$ 3,966,000.00 | \$ 3,966,000.00 |
| 317,765 | Prime Money Market Fund | 317,765.00 | 317,765.00 |
| 40,013,000 | Boatmen's Emp Benefit Short Term Fund | 40,013,000.00 | 40,013,000.00 |
| 3,000,000 | Sears Roebuck Acceptance Corp — Commercial Paper .. | 2,961,000.00 | 2,961,000.00 |
| | TOTAL TEMPORARY INVESTMENTS | \$ 47,257,765.00 | \$ 47,257,765.00 |

U.S. GOVERNMENT SECURITIES 6/30/92

| Par Value | Description | Book Value | Market Value |
|-----------|---|-------------------------|-------------------------|
| 3,000,000 | U.S. Treasury Bonds Due 2/15/01 - 11.75% | 3,032,433.66 | 3,883,110.00 |
| 3,000,000 | U.S. Treasury Bonds Due 8/15/01 - 13.37% | 3,131,221.16 | 4,234,680.00 |
| 3,000,000 | U.S. Treasury Bonds Due 11/15/02 - 11.62% | 3,086,854.31 | 3,953,430.00 |
| 1,500,000 | U.S. Treasury Bonds Due 2/15/03 - 10.75% | 1,483,322.02 | 1,881,555.00 |
| 3,000,000 | U.S. Treasury Bonds Due 5/15/03 - 10.75% | 2,867,183.24 | 3,769,680.00 |
| 3,500,000 | U.S. Treasury Bonds Due 11/15/03 - 11.87% | 3,473,545.83 | 4,711,875.00 |
| 750,000 | U.S. Treasury Bonds Due 11/15/11 - 14.00% | 722,482.24 | 1,166,955.00 |
| | TOTAL U.S. GOVERNMENT | \$ 17,797,042.46 | \$ 23,601,285.00 |

ZERO COUPON BONDS 6/30/92

| Par Value | Description | Book Value | Market Value |
|------------------------------|--|-------------------------|-------------------------|
| T-Bills, Notes, Bonds | | | |
| 5,000,000 | Certificate of Accrual Int. Due 11/15/98 - 12.37% | 2,262,510.47 | 3,225,450.00 |
| 3,960,000 | Coupon Treasury Receipt Int. Due 2/15/99 - 12.00% | 1,733,892.79 | 2,485,216.80 |
| 4,688,000 | Certificate of Accrual Int. Due 8/15/99 - 13.75% | 1,741,126.94 | 2,820,722.72 |
| 4,688,000 | Certificate of Accrual Int. Due 8/15/00 - 13.75% | 1,528,173.77 | 2,583,322.40 |
| 5,000,000 | Certificate of Accrual Int. Due 2/15/01 - 12.50% | 1,751,063.13 | 2,631,650.00 |
| 4,688,000 | Certificate of Accrual Int. Due 8/15/01 - 13.75% | 1,341,802.39 | 2,364,627.20 |
| 3,500,000 | Certificate of Accrual Int. Due 2/15/02 - 12.50% | 1,080,624.69 | 1,684,620.00 |
| 4,688,000 | Certificate of Accrual Int. Due 8/15/02 - 13.75% | 1,179,729.94 | 2,161,636.80 |
| 10,937,000 | Certificate of Accrual Int. Due 11/15/03 - 11.87% | 2,861,746.35 | 4,493,685.19 |
| 12,500,000 | Principal Treasury Receipt Int. Due 5/15/04 - 12.37% .. | 2,950,866.15 | 4,899,250.00 |
| 30,000,000 | US Treasury Security Stripped Int. Pay. Generic Due 8/15/05 | 9,506,144.05 | 10,675,800.00 |
| 5,000,000 | Certificate of Accrual Int. Due 2/15/06 - 12.50% | 977,687.55 | 1,675,500.00 |
| 5,000,000 | Certificate of Accrual Int. Due 8/15/06 - 12.50% | 922,357.44 | 1,600,850.00 |
| 5,000,000 | US Treasury Security Stripped Int. Pay. Generic Due 5/15/07 | 1,320,696.53 | 1,521,900.00 |
| 6,600,000 | Coupon Treasury Receipt Int. Due 8/15/07 - 12.00% | 1,301,981.25 | 1,932,282.00 |
| 10,000,000 | US Treasury Security Stripped Int. Pay. Generic Due 5/15/08 | 2,393,262.59 | 2,788,500.00 |
| 10,000,000 | US Treasury Security Stripped Int. Pay. Generic Due 2/15/09 | 2,132,243.33 | 2,616,600.00 |
| 25,000,000 | US Treasury Bond Stripped Prin. Call 11/15/09 - 11.75% | 5,528,659.54 | 6,158,000.00 |
| | Total T-Bills, Notes, Bonds | \$ 42,514,568.90 | \$ 58,319,613.11 |

Government Agency Bonds

| | | | |
|-----------|--|------------------------|------------------------|
| 2,250,000 | Resolution Funding Corp Generic Int. Pay. Due 1/15/10 | 461,333.48 | 534,105.00 |
| 2,250,000 | Resolution Funding Corp. Cpn. Strips Generic Due 4/15/10 | 461,276.10 | 523,215.00 |
| 2,250,000 | Resolution Funding Corp. Cpn. Strips Int. - 8.62% Due 7/15/10 | 441,461.54 | 511,762.50 |
| 2,250,000 | Resolution Funding Corp. Cpn. Strips Generic Due 10/15/10 | 441,417.69 | 501,322.50 |
| 3,977,000 | Resolution Funding Corp. Cpn. Strips Int. - 8.62% Due 1/15/11 | 845,049.46 | 866,667.84 |
| 3,977,000 | Resolution Funding Corp. Generic Int. Pay. Due 4/15/11 | 845,112.41 | 848,970.19 |
| 3,977,000 | Resolution Funding Corp. Cpn. Strips Int. - 8.62% Due 7/15/11 | 811,319.49 | 831,749.78 |
| 3,977,000 | Resolution Funding Corp. Generic Int. Pay. Due 10/15/11 | 811,382.74 | 814,767.99 |
| | TOTAL GOVERNMENT AGENCY BONDS | \$ 5,118,352.91 | \$ 5,432,560.80 |

CORPORATE BONDS 6/30/92

| Par Value | Description | Book Value | Market Value |
|--|--|-------------------------|-------------------------|
| GOVERNMENT AGENCY BONDS | | | |
| \$ 1,000,000 | American Southwest Finl Corp Due 3/1/18 - 8.90% | \$ 879,062.50 | \$ 1,000,620.00 |
| 4,000,000 | Community Program Loan Trust Due 10/1/18 - 4.50% .. | 2,069,360.00 | 2,735,000.00 |
| 2,000,000 | FBC Mtg Sec Trust Due 7/1/18 - 8.85% | 1,811,250.00 | 2,013,740.00 |
| 2,000,000 | Fed Natl Mortgage Mtg Assn Due 5/10/21 - 9.05% | 1,991,875.00 | 2,046,800.00 |
| 2,500,000 | Fed Natl Mortgage Mtg Assn Due 8/10/20 - 9.65% | 2,471,875.00 | 2,778,900.00 |
| 2,000,000 | Intl Bk for Reconstr & Dev Due 2/15/17 - 8.40% | 1,804,927.77 | 2,031,000.00 |
| 500,000 | P B CMO TR Coll Mtg Oblig Trust Due 3/1/19 - 7.96% .. | 441,562.50 | 482,187.50 |
| 2,302,662.81 | P B Coll Mtge Oblig Trust Due 10/20/20 - 8.48% | 1,907,480.02 | 2,133,555.25 |
| 1,980,000 | Prudential Sec Common Trust Due 5/20/21 - 8.60% | 1,885,331.25 | 2,030,688.00 |
| 5,243,680.07 | Ryland Acceptance Corp Due 1/1/19 - 7.95% | 4,287,663.44 | 4,542,337.86 |
| 2,000,000 | Sears Mtg Funding Trust Due 10/1/14 - 8.00% | 1,685,625.00 | 2,040,000.00 |
| 2,000,000 | Tennessee Valley Auth Pwr Bd Due 11/15/29 - 8.62% .. | 1,918,103.25 | 2,056,880.00 |
| 2,500,000 | Tennessee Valley Auth Pwr Bd Due 10/1/19 - 8.75% | 2,420,438.96 | 2,608,200.00 |
| 2,000,000 | Westam Mortgage Financial Corp Due 6/1/18 - 9.23% .. | 1,809,375.00 | 2,050,000.00 |
| 2,000,000 | Westam Mortgage Financial Corp Due 8/1/18 - 8.95% .. | 1,761,875.00 | 2,005,000.00 |
| TOTAL GOVERNMENT AGENCY BONDS | | \$ 29,145,804.69 | \$ 32,554,908.61 |
| CORPORATE BONDS | | | |
| BANKS | | | |
| 2,500,000 | Banc One Corp Due 3/1/09 - 9.87% | 2,447,376.06 | 2,804,050.00 |
| 500,000 | Bankamerica Corp Due 5/1/01 - 8.75% | 496,529.15 | 507,750.00 |
| 500,000 | Bankamerica Corp Due 12/1/03 - 7.87% | 496,933.97 | 490,495.00 |
| 500,000 | Bankers Trust NY Corp Ser Due 11/1/02 - 8.62% | 499,071.54 | 510,000.00 |
| 750,000 | Chemical New York Corp Due 8/1/02 - 8.25% | 732,427.42 | 743,272.50 |
| 1,500,000 | Citicorp Due 2/1/17 - 8.50% | 1,452,419.83 | 1,399,545.00 |
| 500,000 | Citicorp Due 3/15/07 - 8.45% | 498,638.97 | 492,390.00 |
| 750,000 | Crocker National Corp Due 12/1/02 - 8.60% | 738,012.34 | 761,077.50 |
| 1,000,000 | Irving Bank Corp Due 11/15/07 - 12.37% | 993,065.79 | 1,066,240.00 |
| 500,000 | Manufacturers Hanover Corp Due 8/15/07 - 8.12% | 497,408.55 | 482,445.00 |
| 300,000 | Mercantile Bancorporation Inc Due 1/15/04 - 8.50% | 300,000.00 | 290,778.00 |
| 300,000 | Norwest Corp Due 3/15/03 - 7.75% | 300,000.00 | 300,333.00 |
| 355,000 | Wells Fargo & Co Due 4/1/02 - 8.60% | 355,000.00 | 357,655.40 |
| FINANCE | | | |
| 2,500,000 | American Housing Trust Mtge Due 6/25/20 - 8.25% | 2,457,031.25 | 2,381,250.00 |
| 500,000 | C I T Financial Corp Due 3/15/08 - 8.75% | 500,000.00 | 496,435.00 |
| 500,000 | C I T Group Holdings Due 4/1/01 - 8.37% | 497,433.28 | 507,685.00 |
| 2,200,000 | Cigna Corp Due 1/1/07 - 8.25% | 2,200,000.00 | 2,202,794.00 |
| 1,000,000 | Discover Credit Card Due 3/13/12 - 9.14% | 1,000,000.00 | 1,003,300.00 |
| 500,000 | Ford Motor Credit Co. Due 11/1/01 - 8.37% | 496,474.63 | 505,035.00 |
| 1,000,000 | FPL Group Capital Inc Due 6/1/17 - 10.12% | 973,010.78 | 1,057,410.00 |
| 300,000 | General Motors Acceptance Corp Due 11/1/98 - 7.85% .. | 300,000.00 | 302,412.00 |
| 500,000 | General Motors Acceptance Corp Due 2/1/00 - 8.75% ... | 498,342.32 | 506,770.00 |
| 1,500,000 | General Motors Acceptance Corp Due 12/15/01 - 5.50% | 720,441.07 | 1,251,945.00 |
| 2,500,000 | Goldman Sachs Group Due 5/10/06 - 9.50% | 2,500,000.00 | 2,691,475.00 |
| 300,000 | Household Finance Corp Due 8/1/95 - 7.50% | 300,000.00 | 300,132.00 |
| 500,000 | ITT Financial Corp Due 12/1/02 - 8.50% | 497,686.37 | 511,505.00 |
| 3,000,000 | Transamerica Financial Corp Due 3/15/11 - 6.50% | 2,402,500.00 | 2,432,670.00 |
| INSURANCE | | | |
| 500,000 | Aetna Life & Casualty Co Due 10/15/07 - 8.12% | 497,927.36 | 497,040.00 |
| 1,180,000 | Aetna Life & Casualty Co Due 1/15/17 - 8.00% | 969,824.53 | 1,094,497.20 |
| 1,000,000 | American General Corp Notes Due 2/1/18 - 9.62% | 929,616.27 | 1,056,920.00 |
| 2,500,000 | Berkley (W.R.) Corp Due 5/15/08 - 9.87% | 2,421,563.53 | 2,881,250.00 |
| 2,750,000 | Capital Holdings Corp Due 1/15/17 - 8.75% | 2,679,230.00 | 2,725,140.00 |
| 2,500,000 | Progressive Corp Due 3/1/17 - 8.75% | 2,450,050.00 | 2,536,325.00 |
| 2,000,000 | Torchmark Corp Due 3/1/17 - 8.62% | 1,994,733.23 | 1,946,640.00 |
| COMMUNICATIONS | | | |
| 1,750,000 | Bell Telephone Co Due 4/1/26 - 8.75% | 1,608,569.84 | 1,789,725.00 |
| 2,500,000 | Chesapeake & Potomac Telephone Due 11/1/13 - 7.75% | 2,386,000.00 | 2,341,825.00 |
| 2,500,000 | Michigan Bell Telephone Co Due 1/15/22 - 7.85% | 2,457,525.00 | 2,352,100.00 |
| 300,000 | Mountain States Tel & Telegraph Due 6/1/13 - 7.75% .. | 300,000.00 | 288,051.00 |
| 2,500,000 | Mountain States Tel & Telegraph Due 12/15/14 - 9.25% | 2,138,622.33 | 2,631,775.00 |
| 2,500,000 | New England Tel & Telegraph Due 3/1/26 - 9.00% | 2,308,550.00 | 2,611,300.00 |
| 500,000 | New York Telephone Co Due 5/1/14 - 9.00% | 450,620.00 | 513,855.00 |
| 2,500,000 | New York Telephone Co Due 3/15/15 - 8.87% | 2,232,638.71 | 2,595,175.00 |
| 2,500,000 | Northwestern Bell Tel Co Due 6/15/12 - 8.62% | 2,180,908.49 | 2,531,175.00 |

CORPORATE BONDS (Continued)

| Par Value | Description | Book Value | Market Value |
|-----------------------------------|---|-----------------|-----------------|
| 2,500,000 | Northwestern Bell Tel Co Due 6/15/12 - 8.62% | 2,180,908.49 | 2,531,175.00 |
| 2,500,000 | Northwestern Bell Tel Co Due 12/1/30 - 9.12% | \$ 2,387,500.00 | \$ 2,648,250.00 |
| 3,500,000 | Pacific Bell Co. Due 8/15/25 - 8.75% | 3,328,680.82 | 3,598,595.00 |
| 3,000,000 | Pacific Northwest Bell Tel Co Due 4/1/26 - 8.62% | 2,733,203.79 | 3,009,810.00 |
| 300,000 | Pacific Telephone & Telegraph Co Due 6/1/09 - 7.62% .. | 300,000.00 | 291,465.00 |
| 2,000,000 | Southern Bell Telephone & Tel Due 4/15/16 - 8.25% | 1,859,509.15 | 1,990,980.00 |
| 3,500,000 | Southern New England Telephone Due 8/15/26 - 8.62% | 3,217,708.05 | 3,515,225.00 |
| 1,000,000 | Southern New England Telephone Due 8/15/31 - 8.70% | 998,500.00 | 1,011,680.00 |
| 3,000,000 | Southwestern Bell Telephone Co Due 4/1/17 - 8.25% ... | 2,783,799.03 | 2,924,460.00 |
| 2,500,000 | U S West Communications Due 6/1/31 - 8.87% | 2,413,950.00 | 2,578,525.00 |
| ELECTRIC LIGHT & POWER | | | |
| 3,000,000 | Alabama Power Due 12/1/21 - 8.75% | 2,983,980.00 | 3,049,710.00 |
| 1,500,000 | Appalachian Power Co Due 11/1/19 - 9.12% | 1,444,485.00 | 1,583,190.00 |
| 1,500,000 | Appalachian Power Co Due 2/1/22 - 8.34% | 1,490,925.00 | 1,501,395.00 |
| 1,000,000 | Baltimore Gas & Electric Co Due 9/15/06 - 8.37% | 954,480.00 | 1,041,450.00 |
| 2,000,000 | Carolina Power & Light Co Due 4/1/22 - 9.00% | 1,977,000.00 | 2,086,480.00 |
| 3,000,000 | Commonwealth Edison Co Due 1/15/07 - 8.12% | 2,994,750.00 | 2,999,730.00 |
| 50,000 | Consolidated Edison Co NY, Inc Due 12/15/96 - 5.90% | 50,000.00 | 48,996.50 |
| 2,500,000 | Dayton Power & Light Co Due 12/1/16 - 8.87% | 2,500,000.00 | 2,571,800.00 |
| 300,000 | Duke Power Co Due 6/1/03 - 7.75% | 301,219.06 | 298,179.00 |
| 500,000 | Duke Power Co Due 9/1/07 - 8.12% | 445,618.82 | 512,865.00 |
| 1,000,000 | Duke Power Co Due 2/1/17 - 8.50% | 989,762.38 | 990,710.00 |
| 2,750,000 | Duke Power Co Due 2/1/20 - 9.62% | 2,651,715.00 | 2,955,590.00 |
| 2,500,000 | Florida Power & Light Co Due 10/22/21 - 9.01% | 2,500,000 | 2,573,825.00 |
| 2,000,000 | Florida Power & Light Co Due 1/1/22 - 8.50% | 1,984,140.00 | 1,979,800.00 |
| 300,000 | Georgia Power Co Due 6/1/03 - 7.87% | 300,611.19 | 296,199.00 |
| 100,000 | Houston Lighting & Power Co Due 3/1/17 - 9.00% | 99,279.22 | 102,898.00 |
| 2,000,000 | Houston Lighting & Power Co Due 3/1/22 - 8.75% | 1,983,000.00 | 2,033,120.00 |
| 2,500,000 | Idaho Power Co Due 3/15/27 - 8.75% | 2,500,000.00 | 2,535,925.00 |
| 500,000 | Illinois Power Co Due 11/1/07 - 8.25% | 453,029.92 | 501,595.00 |
| 500,000 | Monongahela Power Co Due 8/1/19 - 8.87% | 500,000.00 | 514,595.00 |
| 1,485,000 | Northern States Power Co Due 4/1/21 - 9.12% | 1,455,300.00 | 1,535,965.20 |
| 500,000 | Oklahoma Gas & Electric Co Due 1/1/07 - 8.37% | 506,575.34 | 523,245.00 |
| 2,000,000 | Old Dominion Electric Coop Due 12/1/22 - 8.76% | 2,000,000.00 | 2,035,560.00 |
| 50,000 | Pacific Gas & Electric Co Due 12/1/98 - 5.75% | 49,509.66 | 46,018.00 |
| 3,000,000 | Pacific Gas & Electric Co Due 8/1/19 - 9.00% | 2,864,200.00 | 3,064,140.00 |
| 3,000,000 | Pennsylvania Power & Light Co Due 5/1/22 - 8.50% ... | 2,993,520.00 | 2,969,520.00 |
| 1,000,000 | Potomac Edison Co Due 6/1/19 - 9.25% | 963,630.00 | 1,051,870.00 |
| 2,700,000 | Potomac Edison Co Due 8/1/21 - 8.87% | 2,681,100.00 | 2,780,622.00 |
| 200,000 | Public Service Co of Indiana Due 10/01/07 - 8.12% | 179,086.28 | 200,552.00 |
| 2,457,000 | Public Service Electric & Gas Due 4/1/16 - 8.75% | 2,162,160.00 | 2,495,869.74 |
| 2,414,000 | Public Service Electric & Gas Due 3/1/16 - 9.12% | 2,321,864.58 | 2,543,173.14 |
| 500,000 | Public Service Electric & Gas Due 11/1/21 - 8.75% | 497,840.00 | 508,245.00 |
| 2,500,000 | San Diego Gas & Electric Co Due 4/1/22 - 8.50% | 2,486,450.00 | 2,474,575.00 |
| 2,000,000 | South Carolina Electric & Gas Due 8/15/21 - 8.87% | 1,955,000.00 | 2,059,640.00 |
| 1,000,000 | Southern California Edison Co Due 3/1/16 - 9.25% | 966,700.00 | 1,054,530.00 |
| 3,000,000 | Southern California Edison Co Due 4/15/19 - 8.62% | 2,789,688.68 | 3,021,120.00 |
| 2,500,000 | Southern California Gas Co Due 10/1/21 - 8.75% | 2,418,750.00 | 2,554,725.00 |
| 1,500,000 | Texas New Mexico Power Co Due 7/1/17 - 10.00% | 1,492,955.73 | 1,277,190.00 |
| 50,000 | Union Electric Co - Due 5/1/96 - 5.50% | 50,261.73 | 48,516.50 |
| 1,500,000 | Union Electric Co Due 3/1/16 - 9.37% | 1,496,363.02 | 1,586,385.00 |
| 500,000 | Utah Power & Light Co Due 12/1/16 - 8.75% | 475,625.00 | 508,020.00 |
| 650,000 | Utah Power & Light Co Due 9/1/07 - 8.25% | 582,902.16 | 673,738.00 |
| 2,000,000 | Virginia Electric & Power Co Due 2/1/19 - 9.75% | 1,976,992.69 | 2,146,520.00 |
| 1,000,000 | West Texas Utilities Co Due 12/1/19 - 9.25% | 956,231.83 | 1,046,880.00 |
| 2,500,000 | Wisconsin Electric Power Co Due 12/1/26 - 8.37% | 2,432,525.00 | 2,439,700.00 |
| 2,500,000 | Wisconsin Power & Light Co Due 12/1/25 - 9.30% | 2,449,200.00 | 2,635,575.00 |
| CHEMICAL | | | |
| 1,000,000 | Hercules Inc Due 1/15/17 - 8.50% | 979,271.10 | 972,890.00 |
| MINING & METALS | | | |
| 3,700,000 | Aluminum Co of America Due 4/15/11 - 7.00% | 3,220,864.00 | 3,189,289.00 |
| 500,000 | Texasgulf Inc Due 12/15/00 - 9.37% | 500,000.00 | 475,000.00 |
| MULTI-INDUSTRY | | | |
| 3,000,000 | Loews Corp Due 3/15/16 - 9.00% | 2,652,987.68 | 3,031,590.00 |

CORPORATE BONDS (Continued)

| Par Value | Description | Book Value | Market Value |
|-------------------------------------|---|---------------|---------------|
| OIL-INTEGRATED | | | |
| 500,000 | Amoco Co Due 8/1/07 - 7.87% | \$ 498,456.83 | \$ 504,030.00 |
| 500,000 | Amoco Co Due 2/1/16 - 9.87% | 492,745.00 | 570,625.00 |
| 1,500,000 | Amoco Co Due 12/15/16 - 8.62% | 1,500,000.00 | 1,560,135.00 |
| 2,500,000 | Atlantic Richfield Co Due 4/1/21 - 9.00% | 2,441,540.00 | 2,619,875.00 |
| 1,000,000 | Atlantic Richfield Co Due 2/1/22 - 8.25% | 972,990.00 | 971,630.00 |
| 405,000 | Continental Oil Co Inc Due 11/1/99 - 9.12% | 404,348.20 | 410,852.25 |
| 2,000,000 | Kerr McGee Corp Due 11/1/11 - 7.00% | 1,035,389.35 | 1,720,720.00 |
| 383,000 | Oxy Oil & Gas USA Inc Due 10/1/00 - 9.75% | 381,663.61 | 390,755.75 |
| 500,000 | Pennzoil Co Due 12/1/07 - 12.25% | 495,614.76 | 532,120.00 |
| 500,000 | Phillips Petroleum Co Due 11/15/00 - 8.87% | 500,000.00 | 509,135.00 |
| 170,000 | Sun Co Inc Due 5/1/02 - 7.12% | 168,894.89 | 161,289.20 |
| 213,000 | Texaco Inc Due 4/1/06 - 8.50% | 211,716.14 | 218,961.87 |
| 500,000 | Union Oil Co of California Due 3/1/06 - 8.62% | 496,975.31 | 513,765.00 |
| OIL-SERVICE | | | |
| 2,000,000 | Halliburton Corp Due 2/15/21 - 8.75% | 1,927,120.00 | 2,076,360.00 |
| PAPER & FOREST PRODUCTS | | | |
| 2,000,000 | PPG Inds Inc Due 5/1/21 - 9.00% | 1,973,400.00 | 2,101,360.00 |
| 500,000 | Weyerhaeuser Co Due 11/15/04 - 8.90% | 500,000.00 | 514,485.00 |
| DIVERSIFIED ENERGY | | | |
| 500,000 | Tennessee Gas Pipeline Co Due 4/1/02 - 8.37% | 499,100.60 | 493,150.00 |
| 500,000 | Tennessee Gas Pipeline Co Due 4/15/03 - 8.87% | 499,044.65 | 510,040.00 |
| TRANSPORTATION | | | |
| 322,000 | General American Due 6/1/97 - 8.15% | 322,000.00 | 324,489.06 |
| 1,000,000 | Norfolk Southern Due 3/1/21 - 9.00% | 974,630.00 | 1,065,260.00 |
| 500,000 | Southern Railway Co Due 10/15/01 - 8.50% | 499,115.77 | 511,365.00 |
| 1,400,000 | Union Pacific Corp Due 1/15/17 - 8.50% | 1,288,128.00 | 1,393,994.00 |
| 2,500,000 | Union Pacific Corp Due 5/15/22 - 8.62% | 2,481,125.00 | 2,497,800.00 |
| 259,000 | Union Tank Car Co Equip Due 1/15/94 - 8.20% | 259,000.00 | 268,267.02 |
| AEROSPACE | | | |
| 2,250,000 | Martin Marietta Co Due 3/15/11 - 7.00% | 1,998,845.00 | 1,950,840.00 |
| LEISURE | | | |
| 510,000 | Eastman Kodak Co Due 6/15/16 - 8.62% | 468,562.50 | 509,158.50 |
| 2,500,000 | Eastman Kodak Co Due 6/1/21 - 9.20% | 2,437,850.00 | 2,632,550.00 |
| FOOD, BEVERAGE & TOBACCO | | | |
| 2,500,000 | Anheuser Busch Inc Due 3/1/17 - 8.50% | 2,286,106.21 | 2,514,900.00 |
| 3,000,000 | Archer Daniels Midland Co Due 5/15/11 - 7.00% | 2,433,750.00 | 2,659,530.00 |
| 3,000,000 | General Mills Inc Due 6/15/22 - 8.60% | 2,994,300.00 | 3,032,790.00 |
| 1,000,000 | Kraft Inc Due 2/15/17 - 8.50% | 990,250.10 | 1,000,840.00 |
| 200,000 | Philip Morris Inc Due 1/15/17 - 8.37% | 196,344.55 | 198,184.00 |
| 2,000,000 | RJR Nabisco Inc Due 2/1/17 - 8.37% | 1,948,803.39 | 1,985,280.00 |
| MERCHANDISING | | | |
| 2,500,000 | Dayton Hudson Corp Due 8/15/11 - 9.25% | 2,486,475.00 | 2,684,350.00 |
| 2,500,000 | K Mart Corp Due 1/15/17 - 8.37% | 2,007,345.47 | 2,457,725.00 |
| 3,000,000 | K Mart Corp Due 12/1/17 - 10.50% | 3,000,000.00 | 3,252,390.00 |
| 2,000,000 | K Mart Corp Due 1/1/22 - 8.25% | 1,982,400.00 | 1,932,700.00 |
| 2,000,000 | May Department Stores Due 11/1/10 - 10.62% | 1,997,340.00 | 2,381,560.00 |
| 1,000,000 | May Department Stores Due 12/1/16 - 9.12% | 1,000,000.00 | 1,032,960.00 |
| 1,550,000 | Penney JC Co Due 5/1/06 - 6.00% | 1,059,767.00 | 1,289,755.00 |
| 2,500,000 | Penney JC Co Due 3/1/16 - 9.37% | 2,400,425.00 | 2,602,975.00 |
| 1,500,000 | Sears Roebuck & Co Due 11/15/01 - 7.00% | 873,768.33 | 1,394,670.00 |
| 2,500,000 | Sears Roebuck & Co Due 2/13/12 - 9.10% | 2,500,000.00 | 2,656,250.00 |
| 2,000,000 | Service Corp Due 10/15/18 - 10.00% | 2,000,000.00 | 2,220,000.00 |
| 3,000,000 | Toys R Us Inc Due 2/1/17 - 8.25% | 2,509,336.41 | 2,961,900.00 |
| 2,500,000 | Wal Mart Stores Inc Due 7/15/00 - 9.10% | 2,500,000.00 | 2,724,500.00 |
| 2,000,000 | Wal Mart Stores Inc Due 8/15/00 - 10.87% | 2,000,000.00 | 2,302,000.00 |
| 2,000,000 | Walgreen Co Due 7/1/16 - 9.50% | 1,995,126.23 | 2,079,080.00 |
| 1,250,000 | Woolworth Corp Due 1/15/22 - 8.50% | 1,242,812.50 | 1,240,012.50 |
| MISCELLANEOUS | | | |
| 1,500,000 | Ryder System Inc Due 2/15/17 - 8.37% | 1,456,112.40 | 1,415,745.00 |

CORPORATE BONDS (Continued)

| Par Value | Description | Book Value | Market Value |
|------------------------------------|---|--------------------------|--------------------------|
| PERSONAL CARE | | | |
| 1,825,000 | Proctor & Gamble Co Due 1/15/17 - 8.12% | \$ 1,800,574.64 | \$ 1,792,989.50 |
| PUBLISHING/BROADCASTING | | | |
| 2,500,000 | Capital Cities Communications Due 8/15/21 - 8.75% ... | 2,477,175.00 | 2,574,025.00 |
| CHEMICAL (SPECIALTY) | | | |
| 2,400,000 | Browning Ferris Inds Inc Due 1/15/17 - 8.50% | 2,212,702.00 | 2,361,024.00 |
| ELECTRONICS | | | |
| 2,000,000 | North American Philips Corp Due 3/1/17 - 8.75% | 1,987,800.43 | 1,981,040.00 |
| OFFICE EQUIPMENT | | | |
| 500,000 | Xerox Corp Due 11/1/99 - 8.62% | 499,211.81 | 506,695.00 |
| HOSPITAL SUPPLY | | | |
| 2,000,000 | Becton Dickinson & Co Due 6/1/16 - 9.25% | 1,990,306.92 | 2,080,600.00 |
| TOTAL CORPORATE BONDS | | \$ 231,397,072.52 | \$ 246,296,831.33 |

PRIVATELY PLACED CORPORATE BONDS 6/30/92

| Par Value | Description | Book Value | Market Value |
|-------------------------------------|--|------------------------|------------------------|
| FINANCE | | | |
| | PHL Funding I Inc Due 7/20/16 - 9.25% | 442,112.08 | 442,112.08 |
| COMMUNICATIONS | | | |
| | General Tel Co Northwest Inc Due 6/1/99 - 7.12% | 100,000.00 | 100,000.00 |
| | United Telephone Co. of Missouri Due 5/1/97 - 5.62% | 75,000.00 | 75,000.00 |
| ELECTRIC LIGHT & POWER | | | |
| | Salt Grass Power Inc Due 1/1/98 - 8.50% | 148,452.70 | 148,452.70 |
| GAS, WATER & OTHERS | | | |
| | St. Louis County Water Co Due 6/1/97 - 6.25% | 100,000.00 | 100,000.00 |
| OIL-INTEGRATED | | | |
| | Texaco Inc. Due 6/1/03 - 7.65% | 388,000.00 | 388,000.00 |
| TRANSPORTATION | | | |
| | General American Transn Corp Due 3/1/94 - 8.50% | 25,000.00 | 25,000.00 |
| | Missouri Pac RR Co Conditional Sale Agreemt Due 3/1/94 - 9.00% | 66,396.66 | 66,396.66 |
| FOOD, BEVERAGE & TOBACCO | | | |
| | NAB Properties Inc Due 9/1/03 - 7.50% | 222,309.30 | 222,309.30 |
| | Pipco Corp Due 6/30/00 - 6.75% | 54,110.96 | 54,110.96 |
| MISCELLANEOUS | | | |
| | Alltank Equipment Corp Due 8/1/92 - 7.90% | 4,234.97 | 4,234.97 |
| | Androck Pptys Inc Due 1/31/97 - 8.00% | 66,447.62 | 66,447.62 |
| | Ashref Inc Due 7/15/01 - 9.75% | 177,746.48 | 177,746.48 |
| | Colonial Pipeline Co. Due 6/1/02 - 9.95% | 366,000.00 | 366,000.00 |
| | Engledale Inc Due 2/15/99 - 5.75% | 38,463.60 | 38,463.60 |
| | Five Seventy Five (575) Market Street Corp Due 7/1/08 - 7.60% | 177,000.00 | 177,000.00 |
| | Flying Cloud Pptys Inc Due 9/1/94 - 7.75% | 80,581.57 | 80,581.57 |
| | Fourth Swansea Properties Inc Due 2/1/93 - 6.37% | 10,673.79 | 10,673.79 |
| | Geico Properties Inc Due 6/15/04 - 8.25% | 341,834.07 | 341,834.07 |
| | Gemstone Corp Due 9/1/94 - 7.50% | 6,922.68 | 6,922.68 |
| OFFICE EQUIPMENT | | | |
| | AT&T Technologies Inc. Due 6/1/03 - 7.50% | 192,000.00 | 192,000.00 |
| *TOTAL CORPORATE BONDS | | \$ 3,083,286.48 | \$ 3,083,286.48 |

*No market quotations available

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION LOANS 6/30/92

| Par Value | Description | Book Value | Market Value |
|------------|---|------------|--------------|
| 241,282.67 | GNMA Pool #37915 Due 2/15/10 - 11.00% | 202,979.01 | 269,102.56 |
| 157,937.36 | GNMA Pool #38221 Due 2/15/10 - 11.00% | 146,486.89 | 176,147.53 |

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION LOANS (Continued)

| Par Value | Description | Book Value | Market Value |
|--------------|--|------------------|------------------|
| 170,469.16 | GNMA Pool #38825 Due 2/15/10 - 11.00% | \$ 144,685.73 | \$ 190,124.25 |
| 219,047.05 | GNMA Pool #39307 Due 2/15/10 - 11.00% | 209,198.56 | 244,303.17 |
| 113,632.79 | GNMA Pool #36788 Due 3/15/10 - 11.00% | 108,306.25 | 126,734.65 |
| 108,028.98 | GNMA Pool #39310 Due 3/15/10 - 11.00% | 103,302.71 | 120,484.72 |
| 234,021.08 | GNMA Pool #41785 Due 3/15/10 - 11.00% | 216,762.01 | 261,003.71 |
| 118,988.83 | GNMA Pool #39313 Due 3/15/10 - 11.50% | 114,021.05 | 136,384.99 |
| 93,940.50 | GNMA Pool #39144 Due 4/15/10 - 12.50% | 86,073.00 | 110,023.11 |
| 134,270.31 | GNMA Pool #37905 Due 7/15/10 - 11.00% | 133,598.93 | 149,751.67 |
| 262,410.28 | GNMA Pool #41399 Due 8/15/10 - 11.00% | 252,077.88 | 292,666.18 |
| 272,750.22 | GNMA Pool #42079 Due 8/15/10 - 11.00% | 264,259.76 | 304,198.32 |
| 239,060.61 | GNMA Pool #42033 Due 9/15/10 - 11.00% | 221,429.89 | 266,624.29 |
| 125,429.35 | GNMA Pool #42692 Due 9/15/10 - 11.00% | 125,272.53 | 139,891.35 |
| 65,762.86 | GNMA Pool #42994 Due 10/15/10 - 11.50% | 60,008.61 | 75,377.39 |
| 171,452.66 | GNMA Pool #44106 Due 10/15/10 - 11.50% | 148,520.88 | 196,519.03 |
| 123,907.83 | GNMA Pool #45717 Due 11/15/10 - 11.50% | 113,995.22 | 142,023.15 |
| 93,452.99 | GNMA Pool #42996 Due 11/15/10 - 12.50% | 88,663.53 | 109,452.14 |
| 141,000.73 | GNMA Pool #43602 Due 11/15/10 - 12.50% | 132,628.80 | 165,140.05 |
| 125,175.11 | GNMA Pool #44881 Due 11/15/10 - 12.50% | 120,637.52 | 146,605.08 |
| 72,293.78 | GNMA Pool #43604 Due 12/15/10 - 12.50% | 67,323.58 | 84,670.47 |
| 308,157.12 | GNMA Pool #107993 Due 9/15/13 - 11.50% | 283,119.36 | 353,209.69 |
| 121,783.82 | GNMA Pool #105422 Due 10/15/13 - 12.50% | 120,794.33 | 142,633.20 |
| 157,584.85 | GNMA Pool #105423 Due 10/15/13 - 12.50% | 156,747.68 | 184,563.37 |
| 26,345.21 | GNMA Pool #106071 Due 11/15/13 - 12.50% | 26,131.15 | 30,855.50 |
| 832,645.13 | GNMA Pool #113171 Due 1/15/14 - 12.00% | 820,155.45 | 966,867.52 |
| 155,681.40 | GNMA Pool #0093 Due 3/20/14 - 12.00% | 146,972.97 | 178,442.02 |
| 209,885.11 | GNMA Pool #0109 Due 4/20/14 - 12.00% | 184,840.91 | 240,570.31 |
| 182,444.74 | GNMA Pool #107323 Due 12/15/14 - 12.50% | 180,278.22 | 213,679.27 |
| 302,265.14 | GNMA Pool #121669 Due 2/15/15 - 12.00% | 296,975.50 | 350,990.28 |
| 452,467.62 | GNMA Pool #121668 Due 3/15/15 - 12.00% | 444,266.63 | 525,405.40 |
| 576,222.28 | GNMA Pool #130721 Due 8/15/15 - 11.00% | 565,778.28 | 642,660.70 |
| 619,214.88 | GNMA Pool #130722 Due 8/15/15 - 11.00% | 604,895.54 | 690,610.35 |
| 733,495.53 | GNMA Pool #125277 Due 10/15/15 - 11.00% | 722,034.67 | 818,067.56 |
| 1,295,869.14 | GNMA Pool #138000 Due 10/15/15 - 11.00% | 1,258,612.94 | 1,445,282.85 |
| 730,763.73 | GNMA Pool #133372 Due 11/15/15 - 11.00% | 723,456.07 | 815,020.78 |
| 1,757,028.15 | GNMA Pool #146857 Due 5/15/16 - 9.00% | 1,741,654.17 | 1,862,976.94 |
| 2,180,559.13 | GNMA Pool #160496 Due 5/15/16 - 9.00% | 2,172,382.00 | 2,312,046.84 |
| 1,619,680.76 | GNMA Pool #160495 Due 6/15/16 - 9.00% | 1,607,533.14 | 1,717,347.50 |
| 1,366,171.60 | GNMA Pool #162837 Due 6/15/16 - 9.00% | 1,309,816.99 | 1,448,551.74 |
| 2,159,078.13 | GNMA Pool #162838 Due 7/15/16 - 9.00% | 2,115,221.84 | 2,289,270.54 |
| 2,375,368.41 | GNMA Pool #156173 Due 8/15/16 - 9.00% | 2,366,460.80 | 2,518,603.12 |
| 2,934,088.25 | GNMA Pool #181652 Due 10/15/16 - 9.00% | 2,858,902.23 | 3,111,013.77 |
| 2,846,217.96 | GNMA Pool #192779 Due 12/15/16 - 9.00% | 2,751,047.54 | 3,017,844.90 |
| 5,702,370.66 | Govt Natl Mrtg #192877 Due 3/25/17 - 8.00% | 5,648,910.94 | 5,766,237.21 |
| 2,619,418.53 | GNMA Pool #230832 Due 8/15/17 - 9.50% | 2,607,958.57 | 2,814,827.15 |
| 1,373,690.01 | GNMA Pool #225638 Due 9/15/17 - 9.50% | 1,340,206.34 | 1,476,167.28 |
| 1,357,019.34 | GNMA Pool #227515 Due 9/15/17 - 9.50% | 1,315,460.62 | 1,458,252.98 |
| 1,374,463.68 | GNMA Pool #233507 Due 10/15/17 - 9.50% | 1,340,531.62 | 1,476,998.67 |
| 2,432,222.58 | GNMA Pool #221726 Due 4/15/18 - 9.00% | 2,401,819.80 | 2,578,885.60 |
| 2,365,168.44 | GNMA Pool #215762 Due 12/15/18 - 9.50% | 2,306,039.23 | 2,541,610.00 |
| 2,224,581.26 | GNMA Pool #266922 Due 12/15/18 - 9.50% | 2,155,063.09 | 2,390,535.02 |
| 2,168,224.46 | GNMA Pool #257854 Due 2/15/19 - 9.50% | 2,078,785.20 | 2,329,974.00 |
| 3,632,888.20 | GNMA Pool #153965 Due 2/15/19 - 10.00% | 3,620,400.15 | 3,954,035.51 |
| 4,610,846.30 | GNMA Pool #278735 Due 9/15/19 - 9.00% | 4,489,811.58 | 4,888,880.33 |
| 4,781,836.51 | GNMA Pool #278827 Due 9/15/19 - 9.00% | 4,680,222.49 | 5,070,181.25 |
| 4,325,541.45 | GNMA Pool #279391 Due 9/15/19 - 9.50% | 4,293,099.89 | 4,648,226.84 |
| 2,546,304.12 | GNMA Pool #137215 Due 12/15/19 - 9.00% | 2,513,679.61 | 2,699,846.25 |
| 2,458,966.47 | GNMA Pool #293268 Due 12/15/20 - 9.50% | 2,468,187.58 | 2,642,405.36 |
| 2,881,544.94 | Govt Natl Mrtg #307628 Due 5/15/21 - 9.00% | 2,881,544.94 | 3,055,302.09 |
| TOTAL GNMA | | \$ 72,660,032.40 | \$ 79,376,107.50 |

COMMON STOCK 6/30/92

| | No. of Shares | Description | Book Value | Market Value |
|----------------------|---------------|-----------------------------------|------------|--------------|
| COMMON STOCKS | | | | |
| Banks | 30,805 | Banc One Corp | 734,352.58 | 1,405,478.13 |
| | 11,600 | Bankers Trust New York Corp | 663,118.80 | 681,500.00 |

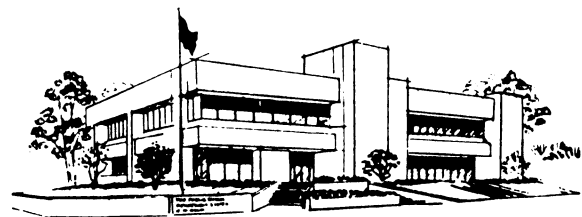
COMMON STOCK (Continued)

| | No. of Shares | Description | Book Value | Market Value |
|-------------------------|---------------|------------------------------------|---------------|---------------|
| | 14,500 | Morgan, J P & Co | \$ 617,829.20 | \$ 813,812.50 |
| | 9,000 | Nationsbank Corp | 252,837.50 | 428,625.00 |
| | 5,000 | Suntrust Banks Inc | 121,835.00 | 202,500.00 |
| | 10,500 | Valley National Corp | 289,250.00 | 542,062.50 |
| | 7,800 | Wachovia Corp | 248,762.50 | 480,675.00 |
| Finance | 23,998 | American Express Co | 255,827.80 | 557,953.50 |
| | 33,200 | Federal Natl Mortgage Assn | 314,238.00 | 2,025,200.00 |
| | 11,000 | Household International Inc | 348,925.08 | 552,750.00 |
| | 11,900 | I T T Corp | 588,956.00 | 770,525.00 |
| | 14,000 | Student Loan Marketing Assoc | 624,610.00 | 959,000.00 |
| Insurance | 23,000 | Aetna Life & Casualty Co | 1,006,526.25 | 951,625.00 |
| | 5,100 | CIGNA Corp | 226,465.00 | 284,325.00 |
| | 9,500 | General RE Corp | 851,539.40 | 805,125.00 |
| | 21,700 | Transamerica Corp | 582,273.66 | 962,937.50 |
| Communications | 14,000 | GTE Corp | 212,789.40 | 446,250.00 |
| | 27,500 | MCI Communications Corp | 762,212.10 | 883,437.50 |
| | 16,000 | US West Inc | 601,145.00 | 584,000.00 |
| Electric Light & Power | 20,000 | American Electric Power Co | 567,753.77 | 637,500.00 |
| | 23,000 | Central & Southwest Corp | 346,425.00 | 649,750.00 |
| | 19,449 | Dominion Resources Inc | 504,072.63 | 743,924.25 |
| | 15,000 | FPL Group Inc | 484,750.00 | 523,125.00 |
| | 3,000 | Houston Industries Inc | 87,529.65 | 131,625.00 |
| | 16,000 | SCE Corp | 328,050.00 | 708,000.00 |
| | 12,500 | Southern Co | 289,301.80 | 435,937.50 |
| | 10,000 | Texas Utilities Co | 314,250.00 | 391,250.00 |
| | 18,500 | Union Electric Co | 475,962.50 | 663,687.50 |
| | 20,000 | Wisconsin Energy Corp | 517,500.00 | 797,500.00 |
| Automotive | 23,952 | Brunswick Corp | 114,436.38 | 350,298.00 |
| | 24,000 | General Motors Corp | 637,391.19 | 1,056,000.00 |
| | 4,000 | General Motors Corp-Class E | 13,289.10 | 112,000.00 |
| | 1,100 | General Motors Corp-Class H | 15,742.21 | 28,462.50 |
| Building | 25,000 | Armstrong World Inds Inc | 479,612.50 | 746,875.00 |
| | 2,200 | Eljer Industries Inc | 38,982.62 | 17,325.00 |
| | 31,000 | Masco Corp | 532,558.75 | 806,000.00 |
| | 11,500 | Stanley Works | 384,825.00 | 457,125.00 |
| | 560 | Trimas Corp | 10,150.00 | 12,250.00 |
| Chemical (Basic) | 15,000 | Akzo N V | 622,087.50 | 648,750.00 |
| | 11,400 | American Cyanamid Co | 465,426.93 | 634,125.00 |
| | 10,000 | Dow Chemical Co | 198,784.12 | 576,250.00 |
| | 14,000 | Grace, W R & Co Inc | 286,636.78 | 476,000.00 |
| | 6,500 | Hercules Inc | 238,590.00 | 342,875.00 |
| | 15,500 | PPG Industries Inc | 693,890.90 | 1,015,250.00 |
| Electrical Equipment | 35,500 | Emerson Electric Co | 967,771.67 | 1,730,625.00 |
| | 18,000 | General Electric Co | 504,987.50 | 1,399,500.00 |
| | 7,500 | Grainger, W W Inc | 356,733.00 | 345,937.50 |
| | 28,298 | National Service Inds Inc | 211,103.98 | 679,152.00 |
| | 2,200 | Scotsman Industries Inc | 17,613.29 | 19,525.00 |
| | 18,000 | Whirlpool Corp | 484,085.00 | 670,500.00 |
| Machinery | 12,000 | Cooper Industries Inc | 262,724.16 | 553,500.00 |
| | 2,080 | IMO Industries Inc | 9,276.44 | 24,700.00 |
| | 27,500 | PALL Corp | 576,000.00 | 715,000.00 |
| | 2,200 | Schwitzer Inc | 18,364.41 | 18,150.00 |
| Mining & Metals | 300 | Cyprus Minerals Co | 2,242.93 | 8,550.00 |
| | 15,000 | Reynolds Metals Co | 883,469.12 | 868,125.00 |
| Oil-Integrated | 34,000 | Amoco Corp | 1,362,684.57 | 1,623,500.00 |
| | 14,200 | Atlantic Richfield Co | 743,043.90 | 1,530,050.00 |
| | 240 | Enserch Exploration Partners | 3,430.01 | 1,770.00 |
| | 30,000 | Exxon Corp | 344,418.83 | 1,856,250.00 |
| | 11,000 | Mobil Corp | 264,082.50 | 676,500.00 |
| | 11,000 | Occidental Petroleum Corp | 338,610.00 | 215,875.00 |
| | 27,500 | Phillips Petroleum Co | 673,007.94 | 666,875.00 |
| Oil-Service | 16,500 | Halliburton Co | 651,505.00 | 439,312.50 |
| | 281 | Pool Energy Service Co | 2,967.36 | 1,931.88 |
| Paper & Forest Products | 9,866 | Boise Cascade Corp | 337,684.55 | 180,054.50 |
| | 7,000 | Champion International Corp | 232,225.00 | 192,500.00 |
| | 11,125 | Georgia Pacific Corp | 312,040.54 | 681,406.25 |
| | 8,500 | International Paper Co | 372,631.50 | 593,937.50 |
| | 24,000 | Scott Paper Co | 799,679.79 | 918,000.00 |

COMMON STOCK (Continued)

| | No. of Shares | Description | Book Value | Market Value |
|---------------------------------|---------------|--------------------------------------|-------------------------|-------------------------|
| Diversified Energy | 16,000 | Burlington Resources Inc | \$ 562,723.54 | \$ 642,000.00 |
| | 9,100 | Enserch Corp | 215,701.20 | 136,500.00 |
| | 2,040 | Pittston Co | 71,420.00 | 31,875.00 |
| Auto Accessory | 4,500 | Masco Industries Inc | 7,031.25 | 56,250.00 |
| Transportation | 29,000 | Union Pacific Corp | 755,366.30 | 1,453,625.00 |
| Aerospace | 21,000 | Raytheon Co | 566,867.50 | 924,000.00 |
| Leisure | 19,500 | Eastman Kodak Co | 832,916.50 | 782,437.50 |
| | 10,000 | Leisure Technology Inc | 141,122.00 | 1,560.00 |
| | 12,000 | Walt Disney Co | 354,044.60 | 433,500.00 |
| Food, Beverage & Tobacco | 41,000 | Anheuser Busch Co Inc | 296,031.18 | 2,275,500.00 |
| | 44,500 | Borden Inc | 339,493.61 | 1,357,250.00 |
| | 10,000 | Campbell Soup Co | 329,586.62 | 361,250.00 |
| | 20,000 | Conagra Inc | 546,977.60 | 522,500.00 |
| | 35,000 | Pet Inc | 650,610.86 | 546,875.00 |
| | 42,000 | Ralston Purina Co | 224,450.00 | 1,953,000.00 |
| Merchandising | 12,000 | Albertsons Inc | 322,425.00 | 501,000.00 |
| | 17,500 | American Greetings Corp-Class A | 609,387.50 | 750,312.50 |
| | 14,000 | Brown Group Inc | 276,649.55 | 318,500.00 |
| | 24,000 | Edison Brothers Stores Inc | 115,162.13 | 936,000.00 |
| | 32,000 | K-Mart Corp | 466,650.00 | 736,000.00 |
| | 23,500 | May Department Stores Co | 242,410.83 | 1,301,312.50 |
| | 20,000 | McDonalds Corp | 643,962.50 | 920,000.00 |
| | 6,000 | Penney, J C Co Inc | 146,399.70 | 423,750.00 |
| | 3,055 | Venture Stores Inc | 5,859.17 | 79,430.00 |
| | 46,000 | Wal Mart Stores Inc | 219,991.61 | 2,472,500.00 |
| | 12,000 | Woolworth Corp | 289,800.00 | 325,500.00 |
| Miscellaneous | 1,000 | Aerovox Inc | 2,960.00 | 5,000.00 |
| | 3,000 | Handyman Corp - In Liquidation | .00 | 3,000.00 |
| Personal Care | 2,000 | Avon Products Inc. | 132,500.00 | 102,500.00 |
| | 18,500 | Clorox Co | 718,356.11 | 839,437.50 |
| Publishing/Broadcasting | 3,300 | Capital Cities ABC Inc | 468,283.00 | 1,507,275.00 |
| | 13,000 | Deluxe Corp. | 499,556.00 | 552,500.00 |
| | 14,000 | McGraw Hill Inc | 222,972.68 | 810,250.00 |
| | 16,000 | Times Mirror Co | 475,300.00 | 536,000.00 |
| Textile & Apparel | 7,500 | Liz Claiborne Inc | 278,908.80 | 264,375.00 |
| Chemical (Specialty) | 12,300 | Minnesota Mining & Mfg Co | 459,626.47 | 1,193,100.00 |
| | 7,500 | Sigma Aldrich Corp | 343,900.00 | 375,937.50 |
| Electronics | 16,600 | Amp Inc | 802,745.10 | 894,325.00 |
| | 15,000 | Compaq Computer Corp | 405,092.14 | 373,125.00 |
| | 1,050 | Esco Electronics Corp | 5,053.13 | 7,218.75 |
| | 15,000 | Harris Corp | 541,958.00 | 412,500.00 |
| | 21,000 | Motorola Inc | 726,445.42 | 1,609,125.00 |
| | 7,100 | Tektronix Inc | 187,533.27 | 124,250.00 |
| | 7,000 | Texas Instruments Inc | 279,750.00 | 245,875.00 |
| Environmental Control | 49,800 | Browning Ferris Ind Inc | 465,832.03 | 1,095,600.00 |
| Office Equipment | 15,300 | Apple Computer Inc | 672,900.00 | 734,400.00 |
| | 18,000 | Automatic Data Processing Inc | 387,575.00 | 769,500.00 |
| | 19,000 | Digital Equipment Corp | 1,537,372.30 | 657,875.00 |
| | 9,000 | Intl Business Machs Corp | 733,951.68 | 880,875.00 |
| | 44,000 | Pitney Bowes Inc | 984,155.10 | 1,270,500.00 |
| | 10,000 | Tandy Corp | 277,630.00 | 245,000.00 |
| | 8,000 | Xerox Corp | 598,283.42 | 558,000.00 |
| Pharmaceutical | 22,000 | American Home Products Corp | 773,912.50 | 1,573,000.00 |
| | 28,500 | Merck & Co Inc | 71,279.11 | 1,389,375.00 |
| | 12,000 | Pfizer Inc | 348,466.66 | 876,000.00 |
| Hospital Supply | 29,000 | Abbott Laboratories | 196,964.37 | 862,750.00 |
| | 15,500 | Becton Dickinson & Co | 979,572.50 | 1,154,750.00 |
| | 20,000 | Humana Inc | 570,339.08 | 422,500.00 |
| TOTAL COMMON STOCK | | | \$ 53,066,090.21 | \$ 86,499,239.76 |

Actuarial Data



W. ALFRED HAYES AND COMPANY

6828 OAKLAND AVENUE
ST. LOUIS, MISSOURI 63139

314/647-4777

February, 1993

Board of Trustees
Non-Teacher School Employee
Retirement System of Missouri
Post Office Box 268
Jefferson City, Missouri 65102

Ladies and Gentlemen:

An actuarial valuation of the System has been performed as of June 30, 1992, in accordance with Section 169.020 of the Revised Statutes of Missouri. Active, inactive and retired Member census data was supplied by the System for this purpose. Asset information was obtained from the auditors' report. Plan provisions, actuarial assumptions and methods used are summarized in our report.

All calculations were made in accordance with generally accepted actuarial principles.

As a result of this valuation, we recommend a contribution rate of 4% of salary for Members and 4% of salary for Employers.

Respectfully submitted,

A handwritten signature in cursive script, reading "Kenneth J. Sliment".

Kenneth J. Sliment, F.S.A.

Results of the Actuarial Valuation

(All Dollar Figures in Thousands)

The essential results of the June 30, 1992 actuarial valuation are summarized below:

(1) Present Value of Future Benefits for:

| | | |
|-----------------------|--------------|-----------|
| (a) Active Members | \$654,511 | |
| (b) Retired Members | 163,586 | |
| (c) Inactive Members | 7,695 | |
| (d) Other Liabilities | <u>3,010</u> | |
| (e) Total | | \$828,802 |

(2) Present Value of Future Norman Costs 288,934

(3) Actuarial Accrued Liability: (1) - (2) 539,868

(4) Actuarial Assets of the System 513,693

(5) Unfunded Actuarial Accrued Liability: (3) - (4) 26,175

With a fixed benefit level and a defined contribution rate, the amortization period for the Unfunded Actuarial Accrued Liability becomes a key item. The procedure has been adopted whereby the funding of the entire System (Normal Cost as well as Unfunded Actuarial Accrued Liability) is accomplished as a level percentage of an expanding payroll (i.e., with increasing dollar contributions). The following development illustrates how this is done based on a 4% contribution rate:

| | |
|--|-------|
| (6) Total Contribution Rate, Member + District | 8.00% |
| (7) Normal Cost Rate at Mid-Year | 7.23% |
| (8) Rate available for Unfunded Actuarial Accrued Liability: (6) - (7) | 0.77% |
| (9) Number of Years required to Amortize Unfunded Actuarial Accrued Liability with Compensation increases at 6% per year | 9.0 |



Kenneth J. Sliment, F.S.A.

Actuarial Balance Sheet

(in thousands)
June 30, 1992

ASSETS

| | | |
|--|---------------|-------------------------|
| Present Actuarial Value of Assets | | \$513,693 |
| Present Value of Future Contributions For: | | |
| Normal Costs | \$288,934 | |
| Unfunded Actuarial Accrued Liability | <u>26,175</u> | |
| | | <u>\$315,109</u> |
| Total Present and Potential Assets | | <u><u>\$828,802</u></u> |

LIABILITIES

| | | |
|---|--------------|-------------------------|
| Present Value of Future Benefit Payments: | | |
| Actives | | |
| Service Retirement | \$552,949 | |
| Disability Retirement | 7,624 | |
| Withdrawal Benefits | 76,496 | |
| Refunds on Death | 17,442 | |
| Inactives | <u>7,695</u> | |
| | | \$662,206 |
| Present Value of Benefits Now Payable To: | | |
| Service Retirants | \$156,711 | |
| Disability Retirants | 2,095 | |
| Survivors | <u>4,780</u> | |
| | | \$163,586 |
| Investment Contingency Reserve | | <u>3,010</u> |
| Total Present and Potential Liabilities | | <u><u>\$828,802</u></u> |

The actuarial balance sheet presents an overall view of the actuarial status of the System on the valuation date. The assets and liabilities are divided into their respective categories. Thus we see that the System has total "assets" on the valuation date of some \$829 million, of which about \$514 million are currently on hand, the remainder of \$315 million being represented by the anticipated contributions from Members and the Districts. On the liability side, about \$164 million of the \$829 million is due to present retirees, with the balance of roughly \$665 million attributable to active Members. The balance sheet is thus a formal statement that, based upon the assumptions used, the System is in equilibrium, with present and potential assets equal to present and potential liabilities.

THE NON-TEACHER SCHOOL EMPLOYEE RETIREMENT SYSTEM OF MISSOURI HISTORICAL TREND INFORMATION

June 30, 1992
(Dollars in Thousands)

| <u>Valuation Date</u> | <u>Net Assets Available For Benefits</u> | <u>Pension Benefit Obligation</u> | <u>Percent Funded</u> | <u>Unfunded Pension Benefit Obligation</u> | <u>Annual Covered Payroll</u> | <u>Unfunded Pension Benefit Obligations as a Percent of Covered Payroll</u> |
|-----------------------|--|---|---------------------------|--|---------------------------------------|---|
| June 30, 1987 | \$259,036 | \$282,285 | 91.8% | \$23,249 | \$268,173 | 8.7% |
| June 30, 1988 | \$300,006 | \$322,986 | 92.9% | \$22,980 | \$304,029 | 7.6% |
| June 30, 1989 | \$347,011 | \$355,186 | 97.7% | \$ 8,175 | \$331,352 | 2.5% |
| June 30, 1990 | \$397,052 | \$404,317 | 98.2% | \$ 7,265 | \$359,577 | 2.0% |
| June 30, 1991 | \$451,862 | \$460,156 | 98.2% | \$ 8,294 | \$389,080 | 2.1% |
| June 30, 1992 | \$512,110 | \$492,324 | \$104.0% | \$(19,786) | \$398,147 | (5.0%) |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides an indication of the System's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

Revenues by Source (Dollars in Thousands)

| <u>Valuation Date</u> | <u>Employee Contribution</u> | <u>Employer Contribution</u> | <u>Investment Income</u> | <u>Realized Gains on Sales</u> | <u>Total</u> | <u>Employer Contributions as a Percent of Covered Payroll</u> |
|-----------------------|----------------------------------|----------------------------------|------------------------------|--|--------------|---|
| June 30, 1987 | \$10,993 | \$10,993 | \$23,203 | \$1,588 | \$46,777 | 4.1% |
| June 30, 1988 | \$11,963 | \$11,963 | \$25,894 | \$2,501 | \$52,321 | 3.9% |
| June 30, 1989 | \$13,055 | \$13,055 | \$30,519 | \$3,439 | \$60,068 | 3.9% |
| June 30, 1990 | \$14,088 | \$14,088 | \$34,586 | \$2,539 | \$65,301 | 3.9% |
| June 30, 1991 | \$15,253 | \$15,253 | \$38,059 | \$3,507 | \$72,072 | 3.9% |
| June 30, 1992 | \$15,735 | \$15,735 | \$41,643 | \$6,624 | \$79,737 | 4.0% |

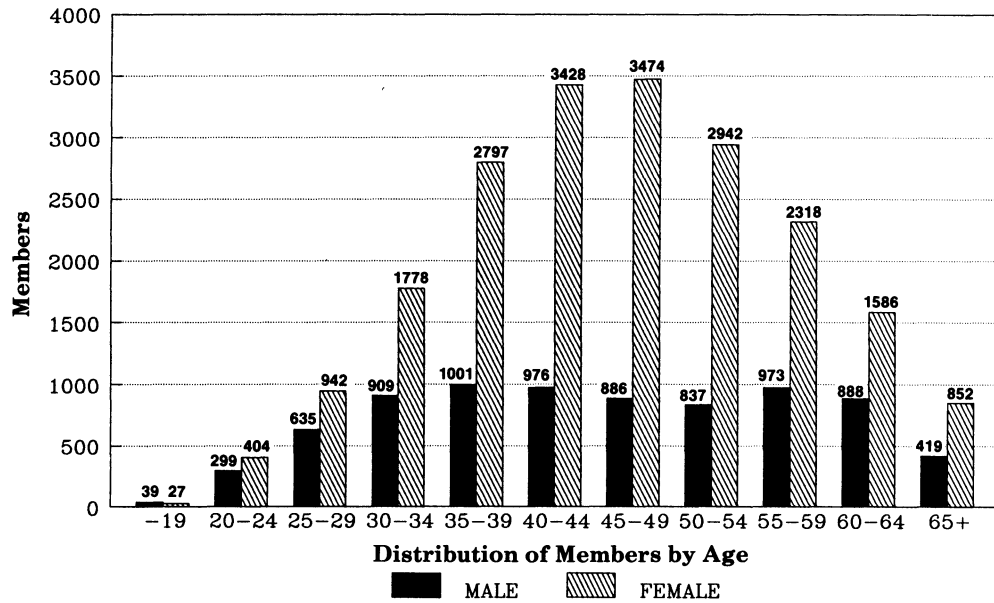
Expenses by Type (Dollars in Thousands)

| <u>Valuation Date</u> | <u>Benefits and Refunds Paid</u> | <u>Administrative Expenses</u> | <u>Total</u> |
|-----------------------|--------------------------------------|------------------------------------|--------------|
| June 30, 1987 | \$ 9,641 | \$500 | \$10,141 |
| June 30, 1988 | \$10,886 | \$538 | \$11,424 |
| June 30, 1989 | \$12,567 | \$585 | \$13,152 |
| June 30, 1990 | \$14,643 | \$712 | \$15,355 |
| June 30, 1991 | \$16,634 | \$721 | \$17,355 |
| June 30, 1992 | \$18,858 | \$813 | \$19,671 |

Trend information prior to June 30, 1987, is currently not available.

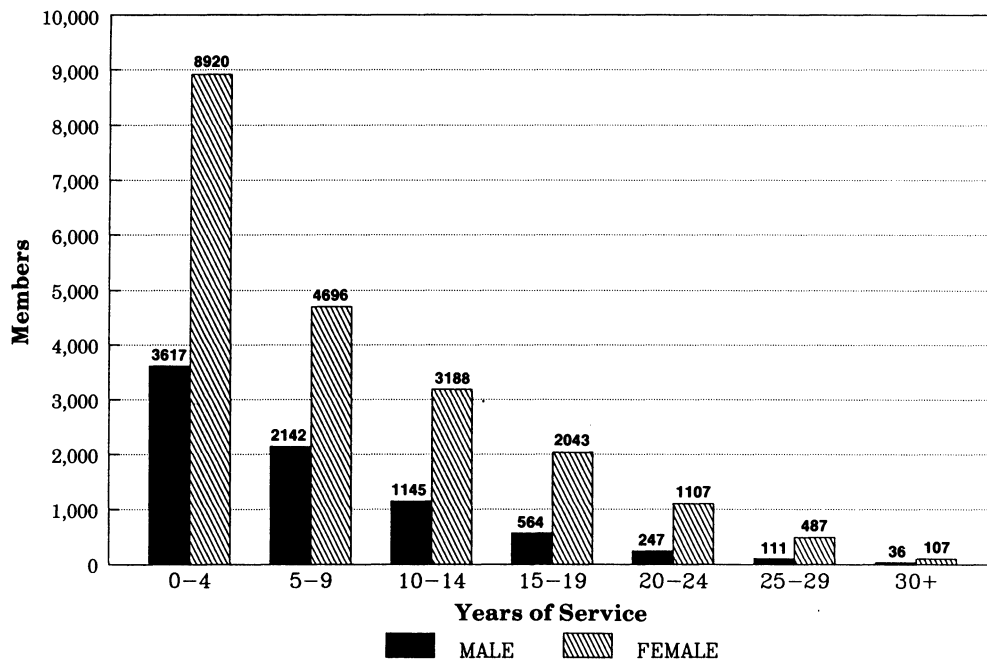
ACTIVE MEMBERSHIP

JUNE 30, 1992



DISTRIBUTION OF ACTIVE MEMBERS BY YEARS OF SERVICE*

JUNE 30, 1992



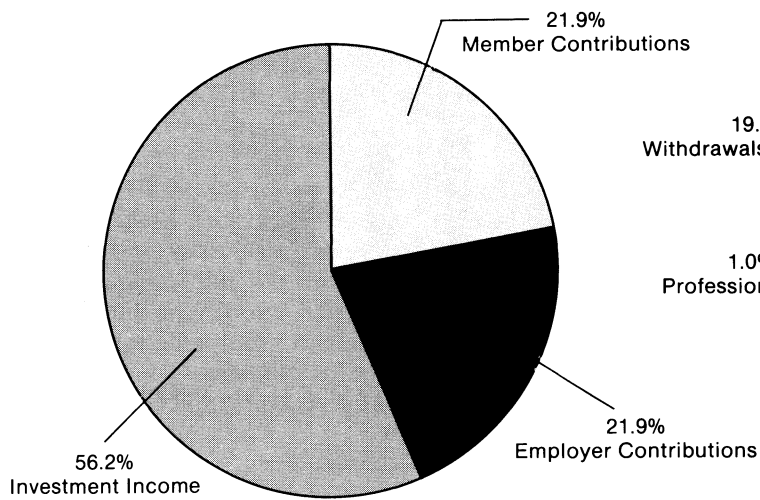
*In computing years of service, a year of prior service credit counts as six-tenth's year.

Summary of Changes in Membership During 1991-92

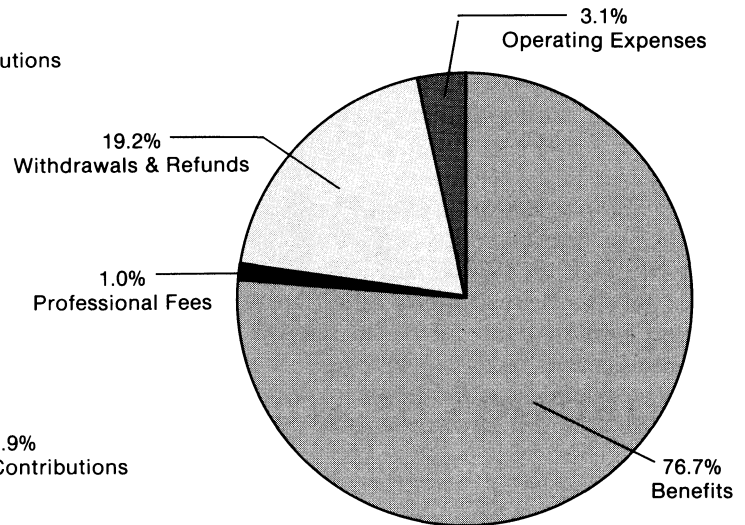
| | Male | Female | Total |
|-----------------------------------|-------|--------|--------|
| Active-Inactive Members 7/1/91 | 8,616 | 23,049 | 31,665 |
| New Membership 7/1/91 to 6/30/92 | 1,175 | 2,857 | 4,032 |
| Total Membership before Decreases | 9,791 | 25,906 | 35,697 |
| Decreases: | | | |
| Service Retirements | 203 | 501 | 704 |
| Disability Retirements | 5 | 23 | 28 |
| Withdrawals | 894 | 1,972 | 2,866 |
| Deaths | 20 | 19 | 39 |
| Terminations Not Processed | 77 | 136 | 213 |
| Previous Terminations Processed | (59) | (121) | (180) |
| Subtotal | 1,140 | 2,530 | 3,670 |
| Net Membership 6/30/92 | 8,651 | 23,376 | 32,027 |
| (includes "Inactive Members") | | | |

1991-92 TOTAL REVENUES AND EXPENSES

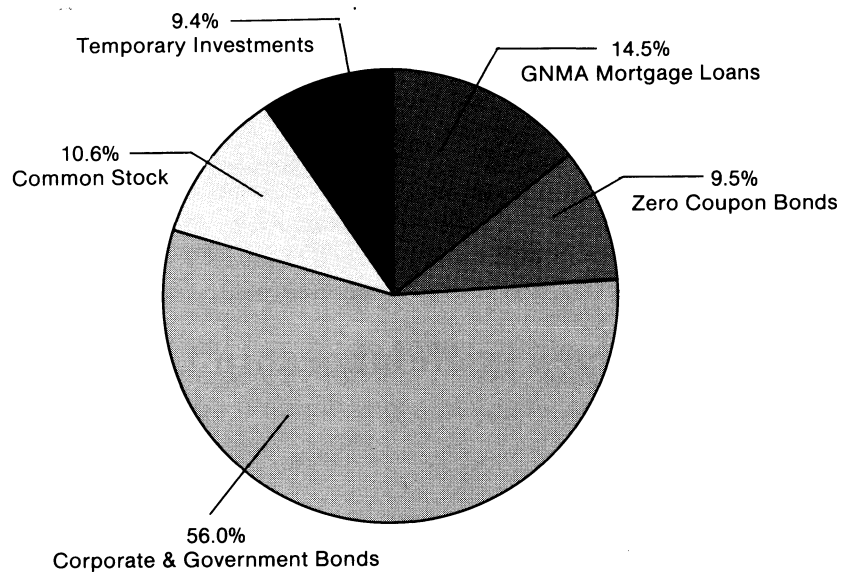
Total Revenue



Total Expenses



Investments — 1992



SERVICE RETIREMENTS

NEW SERVICE RETIREMENT BENEFITS 1991-92 Full Benefits (Age 60 or 30 Years)

| Years Creditable Service | Number Retiring | | | Final Average Salary | Average Benefit |
|--------------------------------|-----------------|---------|-------|----------------------------|--------------------|
| | Males | Females | Total | | |
| 5-9 | 56 | 51 | 107 | \$ 989.30 | \$ 84.47 |
| 10-14 | 54 | 98 | 152 | 1,040.64 | 157.72 |
| 15-19 | 37 | 95 | 132 | 1,121.52 | 241.95 |
| 20-24 | 17 | 96 | 113 | 1,170.67 | 313.38 |
| 25-29 | 9 | 47 | 56 | 1,263.65 | 396.02 |
| 30+ | 13 | 36 | 49 | 1,350.81 | 509.34 |
| TOTALS | 186 | 423 | 609 | \$1,118.74 | \$242.19 |

CHANGES IN RETIRED MEMBERSHIP DURING 1991-92

| | Service Retirements | | | Disability Retirements | | |
|-----------------------------|---------------------|--------|-------|------------------------|--------|-------|
| | Male | Female | Total | Male | Female | Total |
| Retired Members 7/1/91 | 2,801 | 5,704 | 8,505 | 78 | 97 | 175 |
| Retired During Year | 203 | 501 | 704 * | 5 | 23 | 28 |
| Died During Year | 152 | 153 | 305 | 4 | 3 | 7 |
| Resumed Working During Year | 6 | 5 | 11 | 0 | 0 | 0 |
| Retired After Resuming Work | 5 | 6 | 11 | 0 | 0 | 0 |
| Retired Members 6/30/92 | 2,851 | 6,053 | 8,904 | 79 | 117 | 196 |

*includes actuarially-reduced retirees

SERVICE RETIREMENT BENEFIT HISTORY (Full Benefits — Age 60 or 30 Years)

| Year Ending June 30 | New Service Retirants | Average New Benefit | % Increase From Previous Year |
|---------------------------|-----------------------------|---------------------------|-------------------------------------|
| 1967 | 334 | \$ 7.20 | — |
| 1968 | 220 | \$ 8.05 | 12 |
| 1969 | 226 | \$ 8.15 | 1 |
| 1970 | 298 | \$ 16.18 | 99 |
| 1971 | 324 | \$ 18.60 | 15 |
| 1972 | 363 | \$ 20.48 | 10 |
| 1973 | 414 | \$ 22.69 | 11 |
| 1974 | 443 | \$ 28.30 | 25 |
| 1975 | 446 | \$ 31.71 | 12 |
| 1976 | 431 | \$ 35.24 | 11 |
| 1977 | 419 | \$ 41.64 | 18 |
| 1978 | 549 | \$ 52.66 | 26 |
| 1979 | 436 | \$ 61.94 | 18 |
| 1980 | 445 | \$ 65.86 | 6 |
| 1981 | 427 | \$ 77.77 | 18 |
| 1982 | 552 | \$ 87.44 | 12 |
| 1983 | 552 | \$101.40 | 16 |
| 1984 | 441 | \$115.00 | 13 |
| 1985 | 561 | \$128.14 | 11 |
| 1986 | 617 | \$149.01 | 16 |
| 1987 | 634 | \$180.48 | 21 |
| 1988 | 453 | \$196.37 | 9 |
| 1989 | 633 | \$195.10 | — |
| 1990 | 559 | \$222.15 | 14 |
| 1991 | 606 | \$228.87 | 3 |
| 1992 | 609 | \$242.19 | 6 |

